

JPRS 82761

31 January 1983

China Report

ECONOMIC AFFAIRS

No. 304



FOREIGN BROADCAST INFORMATION SERVICE

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NATIONAL POLICY AND ISSUES

'BEIJING REVIEW' EXAMINES MODERNIZATION PROGRAM

HK080930 Beijing BEIJING REVIEW in English No 1, 3 Jan 83 pp 14-18

[Article by Ren Tao and Zheng Jingsheng: "Chinese-Type Modernization: Why a Change of Emphasis?"]

[Text] [Editor's note] Beginning with this issue, we will publish a series of articles on Chinese-type modernization.

The series is a response to the many letters we have received since China started its modernization drive, requesting explanations of events and present policies. We hope that this series, by the staff of the economic research centre under the State Council, will help clarify the many common questions by offering analyses and related background information.

We wish to thank Ma Bin, deputy general secretary of the economic research centre, the adviser for the series and Ren Tao, a section chief of the centre, its principal author. [end editor's note]

Four years have elapsed since late 1979 when China began to shift the emphasis of its work to economic construction aimed at modernizing the country's industry, agriculture, national defence and science and technology. Four years is only a short period in the history of humanity and yet it represents a turning point of great significance in Chinese history. Any observer of China can testify to the tremendous differences the last few years have brought. But what is the nature and direction of the change? Many have asked, whither China after Mao.

Some China watchers assert: "Radical revolutionary slogans have been replaced by the four modernizations. Current pragmatistic Chinese leaders no longer place much emphasis on the purity of ideology. The revolutionary party has become a constructional party. China is no longer a revolutionary country."

There were many factors that encouraged this false belief among different types of people, but the important one was the distorted propaganda about revolution from the Lin Biao and Jiang Qing counterrevolutionary cliques and their cohorts. This gang manipulated the mass media when they were in power and created much confusion about China's ideology. They described the proletarian revolution as something mysterious, and even preached that people should "make revolution

in their innermost soul's." They made many twisted expositions about socialism and even criticized the principle of distribution according to work, a principle generally recognized by Marxism, as "bourgeois right." They spread the notion that "the poorer one is, the more revolutionary he becomes," "what we want is poor socialism," etc.

Lin Biao, Jiang Qing and company put forward these views under the banner of Mao Zedong and took advantage of his mistakes made in his later years. Genuine Chinese Marxists at that time saw through these evil deeds, resisted and struggled against them. After the "gang of four" was smashed, we discarded their absurd theories and began to stress economic construction. Under these circumstances, the talk abroad was that China was engaged in "de-Maoification."

Mao Zedong's Views

In recent years, foreign publications have often linked the slogans of modernization with the names of Zhou Enlai and Deng Xiaoping. Frequently they have forgotten or overlooked the fact that Mao Zedong also consistently advocated modernization.

On the eve of the founding of new China, Mao Zedong stated: "We can learn what we did not know. We are not only good at destroying the old world, we are also good at building the new."¹

In July 1949, he emphasized: "The serious task of economic construction lies before us."² He called upon the communists to learn to do economic work from experts in this field and to esteem them as teachers.

After the socialist transformation of the ownership of the means of production basically was completed in 1956, the eighth party congress pointed out that a socialist system had in the main been established in China. It said that the chief task facing the nation was to concentrate all efforts on developing the productive forces, bringing about industrialization of the country and gradually meeting the people's growing material and cultural needs.

Mao Zedong said in 1957: "The large-scale, turbulent class struggles of the masses characteristic of times of revolution have in the main come to an end." "Our basic task has changed from unfettering the productive forces to protecting and expanding them in the context of the new relations of production." He called for "uniting the people of all nationalities in our country for the new battle, the battle against nature" and "make China a socialist country with modern industry, modern agriculture, and modern science and culture."³

In 1964, in his report on government work to the Third National People's Congress, the late Premier Zhou Enlai, acting at the behest of the party Central Committee and Comrade Mao Zedong, formally proposed for the first time to the whole nation a magnificent programme for bringing about the modernization of industry, agriculture, national defence and science and technology by the end of this century so that China's national economy could take its place in the front ranks of the world.

However, it is regrettable that these correct views of Mao Zedong were not put into practice because of mistakes he committed in later years, characterized by broadening the target of class struggle and thinking in terms of absolutes, and because of the party's failure to promptly correct the mistakes. As a result, the shift of the focus of work was delayed for over 20 years. While making an all-round evaluation of Mao Zedong's merits and demerits, the party marked a strict distinction between Mao Zedong Thought and the mistakes of his later years. Indeed, our current shift of the focus of work on to modernization is exactly the correct view he had once upheld.

Socialism Seeks To End Poverty

Mao Zedong Thought on the relationship between revolution and construction as mentioned above fully conforms with the basic Marxist viewpoint.

Lenin once expounded the two major tasks of socialist revolution. He said: "In every socialist revolution, after the proletariat has solved the problem of capturing power, and to the extent that the task of expropriating the expropriators and suppressing their resistance has been carried out in the main, there necessarily comes to the forefront the fundamental task of creating a social system superior to capitalism, namely, raising the productivity of labour."⁴ He also pointed out: "Following the seizure of political power, the principal and fundamental interest of the proletariat lies in securing an enormous increase in the productive forces of society and in the output of manufactured goods."⁵

If one considers China's production level and its people's living standards before the revolution, it is not hard to see that a prominent and urgent problem to be solved by the socialist revolution is the latter task mentioned above by Lenin.

Take 1949 when new China was founded, for example. The nation had a population of 541.67 million; its total industrial and agricultural output value was 46,600 million yuan, of which only 10 per cent came from modern industry; per-capita national income was 66 yuan; there were 180,000 university graduates and 500,000 medical workers. The people suffered from cold and hunger. Whenever there was a famine, the bodies of people who had starved to death were everywhere. Shanghai was reduced to a semi-colonial city where workers could not afford to support their families. It was a common scene that the streets were strewn with the corpses of people who had frozen to death.

In 1978, 30 years after liberation, per-capita national income was only 316 yuan (US\$183), roughly equivalent to one-forty sixth of the United States', one-thirty seventh of Japan's and one-eleventh of the Soviet Union's. (However, the method of calculation is different. China's national income does not include earnings from "tertiary" industries.) Chinese living costs are far lower than those three countries. China can only guarantee its people a basic living; it still remains one of the world's poorer countries, measured by living standards.

In recent years, China has adopted a number of significant measures for improving the people's lives. In 1981 the per-capita national income was 393 yuan; the net income per peasant was 220 yuan. Experts estimate that China's industrial and technical level lags about 20 years behind the developed capitalist countries and its agricultural production level is about 40-50 years behind.

Fundamentally, the aim of socialist revolution is to change the old relations of production which hamper the development of the productive forces, to abolish the system of exploitation, liberate the productive forces and to develop social production so as to eventually eradicate the social sources of poverty, ignorance and backwardness. In the meantime, through tempering themselves in production, a new generation of workers will emerge, with fine qualities, moral values and culture. It is utterly absurd and a slander against socialist revolution to obstinately link poverty with socialism and take pride in being poor.

True, in class society, the poor invariably want revolution because they are victims of the exploitation and oppression that constitutes a social source of poverty. Before liberation, China's proletariat was revolutionary because economically and politically it suffered from harsh exploitation and oppression and was successful because it accepted the leadership of the Chinese Communist Party. After the revolution was victorious and the working class and other labouring people became masters of the country, they could be expected to shift their emphasis from revolution to building a new society, developing the economy and eliminating poverty. Under such circumstances, if anyone still preached the theory "the poorer one is, the more revolutionary he becomes," then people may ask about what need the revolution is.

The Will of the Chinese Nation

The nation's long-cherished ideal is to turn this poor and backward country into an independent, prosperous and powerful state. For this, countless revolutionaries shed their blood and laid down their lives over the past 100 years. It represents the strong will of the disaster-ridden Chinese nation to re-establish itself as a proud member of the world's nations.

China has a 5,000-year-old civilization. The Chinese nation has won the world's respect for its splendid culture and its wisdom in first inventing the compass, paper-making, printing and gunpowder. But as a result of the feudal rule which continued for 2,000 years, it gradually declined and was reduced to a semi-feudal and semi-colonial society, a victim of imperialist aggression and partition.

After the 1840 Opium War, almost all the imperialist powers bullied China and launched one war of aggression after another against it. But because the government was politically corrupt and the country was economically and technically backward, our soldiers were forced to put up heroic resistance with swords and spears against the enemy's modern warships, guns and artillery. As a result, all previous wars against aggression, except the war of resistance against

Japan (1937-45), ended in China's failure, cession of territory, payment of indemnity and forfeit of sovereignty. In their aftermaths, foreign aggressors imposed dozens of unequal treaties on China.

But in 1949, the Chinese people stood up. The revolution's victory led to the birth of new China. The basic accomplishment of the socialist transformation of the ownership of the means of production in 1956 provided favourable conditions for the further economic development and the construction of a stronger national defence. But, long-term efforts are required to rid China of economic and technical backwardness.

In summing up modern Chinese history in 1963, Mao Zedong warned: "If in the decades to come we don't completely change the situation in which our economy and technology lag far behind those of the imperialist countries, it will be impossible for us to avoid being pushed around again."⁶

The prospect of becoming a victim of the law of the jungle, pushed around by others--this was the stark reality that confronted China and other Third World countries in the era when capitalism developed into imperialism. But history had taught the people, who in turn would not allow history to repeat itself.

Our people understand full well: It is far from enough to merely rely on political independence to invigorate the nation. We must energetically develop the economy, strive to realize modernization and use modern science and technology to equip our industry, agriculture and national defence; only by doing so can we turn China into a strong and prosperous country. That is why the Chinese people are working heart and soul for the realization of modernization.

Revolution Yet To Be Accomplished

Will China cease making revolution now that the emphasis of work has been changed? Certainly not. The point is that one should have a correct understanding of the implication and range of revolution.

In a narrow sense, it can be said that the tasks of the revolution have been accomplished, if they refer to the seizure of political power by the proletariat and other labouring people, to the socialist transformation of the ownership of the means of production, to the abolition of the system of exploitation and the exploiting classes and to the liberation of the productive forces. That was what Lenin meant by "socialist revolution."

In a broad sense, if the revolutionary tasks also include the tremendous development of social productive forces, the perfection and development of the socialist relations of production and the superstructure and, on this basis, the gradual elimination of all class differences, the elimination of all major social differences and social inequality resulting from the inadequate development of the social productive forces, and the ultimate realization of communism; then the revolution is far from being over, instead it still has a long, long way to go.

Some foreign friends ... worried that the disadvantageous side effects of Western modernization, such as the polarization between the rich and the poor, pollution, unemployment and increasing crime, will be repeated in China. Some have even said that it is not worth paying such a high price for modernization. However, there are diverse roads leading to modernization. China will never pursue capitalist modernization. China's modernization will be accomplished while adhering to socialism. Relying on the superiority of the socialist system and proceeding from China's reality, we will bring about a modernization that has uniquely Chinese features and will avoid the emergence of the above-mentioned capitalist evils. Even when social problems do crop up, we have the means to resolve them. We will deal with specific questions of the problematic side effects of modernization in coming issues.

FOOTNOTES

1. Mao Zedong: "Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China," Selected Works, Vol IV, p 374.
2. Mao Zedong: "On the People's Democratic Dictatorship," Selected Works, Vol IV, p 422.
3. Mao Zedong: "On the Correct Handling of Contradictions Among the People," Selected Works, Vol V, pp 395, 397, 396 and 387.
4. Lenin: "The Immediate Tasks of the Soviet Government," Collected Works, Vol 27, p 257.
5. Lenin: "The Role and Function of the Trade Unions Under the New Economic Policy," Collected Works, Vol 33, pp 188-189.
6. This is quoted from "Transform China in Spirit of Foolish Old Man Who Removed Mountains," BEIJING REVIEW, Eng Ed., No 10, 1978.

CSO: 4020/38

NATIONAL POLICY AND ISSUES

REPORT ON DEVELOPING ENERGY RESOURCES

HK200853 Beijing JINGJI YANJIU in Chinese No 11, 20 Nov 82 pp 10-16

[Article by Li Guangan [0448 1639 1344] and Wei Liqun [7614 4409 5028]: "Energy--The Key to Economic Development Strategy"]

[Text] In his report to the 12th National Congress, Comrade Hu Yaobang pointed out that in order to realise our tactical targets of the next twenty years it is vital that we make energy one of the key tactical points of economic development, that we increase the development of energy and its sources and make great reductions and savings in energy consumption. This correct policy was the result of the CPC Central Committee's analysis of China's present economic situation and developmental direction.

The Present Energy Shortage Is an Important Factor Affecting Economic Development

Since liberation, the development of energy production in China has been relatively fast. In 1981 the total production of primary energy sources including coal, oil, natural gas and hydroelectric power measured 630 million tons of standard coal, showing an increase of 12 times over the figures for 1952 and an average annual growth rate of 9.3 percent, thereby providing an important material basis for the development of industry and agriculture and improvements in the living standards of the population. However, we should recognise that present energy shortages are an important factor in affecting economic development and energy has now become one of the weak links in the development of the national economy.

In terms of production, energy shortages have resulted in many industries and enterprises operating under capacity with equipment and machinery not being used to maximum efficiency. The inability to make full use of agricultural electrical equipment has meant that full production capacity has not been realised. According to relevant statistics, around 20 to 30 percent of the country's equipment and machinery is being insufficiently and hence inefficiently used because of energy shortages. As a result approximately 70 billion yuan in terms of production value are annually lost. Over the last 10 years the Dongbei region has had an annual electricity shortage of more than 10 billion kwh with a resultant loss of around 100 billion yuan in terms of production value over the

whole 10 year period. Many regions set quotas according to limitations on coal, oil and electricity and many newly developed programs have been unable to start operation or reach planned capacity as a result of insufficient energy supplies. According to estimates almost half the peasant population in China annually lack fuel from between three to six months. In the cases of a large number of organic fuels vital for their livelihood, the ecological balance has been destroyed, thus greatly affecting the lives of the peasants. In general, then, the energy shortage is an extremely important restrictive factor affecting present and future long-term economic and social development.

The main reasons for the present energy crisis are listed below:

- 1) The development of energy resources has not been in line with the development of the national economy. On the one hand the development of the national economy, in particular the development of some oil and chemical industries as well as related refining industries, all of which have massive energy consumption rates, has been very fast, and machinery and equipment dependent on oil have increased, thus the demand for energy, especially oil, has also increased. On the other hand, under the influence of former "leftist" errors, imbalances in excavation and strip coal mining as well as imbalances in oil, natural gas industries. In order to readjust the internal proportional relations in the energy industry and maintain correct excavation and strip mining ratios, it is vital that excessive mining is not carried out, which would thus affect energy output. The excessively small scale of energy development in the past few years, extended re-production of the energy industry was severely affected and was thus unable to keep up with the increasing demands of the national economy.
- 2) The utilization efficiency ratio of energy is very low, while consumption and wastage very high. Unsatisfactory management as well as irrational industry and product make-up and poor enterprise organisation take-up along with backward production methods and old equipment all add up to produce an energy utilization efficiency ratio in China of 30 percent. In some highly developed industrial countries, this ratio can be as high as 40 to 50 percent. Although the economic structure and level of science and technological development of every country is different and dependent on many factors which cannot be compared, it is still a fact that the energy utilization efficiency ratio in China is very low. Many technological and economic targets which require energy expenditure in China have still not been able to attain the best levels of China's own past. In 1980, 10,000 yuan of production output required the consumption of 197,000 tons of standard coal while in 1957 the figure was a far better 107,000 tons of standard coal.
- 3) Communications and shipping capacity have not improved and increased in line with shipping quantities and its resultant demands. Many problem regions received no improvements for long periods of time and thus a great deal of coal was never transported from the mines. In Shanxi Province, transportation problems resulted in the storage of between 18 and 19 million tons of coal. In Shaanxi Province, Nei Monggol, Ningxia, Guizhou and other provinces and autonomous regions, insufficient railways resulted in restricted production and even in some cases a cessation of production, thereby intensifying the contradiction between supply and demand of energy.

4) Energy consumption make-up is not in line with the characteristics of energy production. In 1978 the consumption make-up of primary energy sources showed that coal represented 70.9 percent of total consumption while oil, natural gas and hydroelectricity filled the remaining proportion of 30 percent. In important industrial countries such as Japan, the United States and West Germany, the proportion that oil alone represents is anything between 48 and 83 percent.

Both oil and gas have a high energy utilization efficiency ratio while that of coal is relatively low. If the energy utilization efficiency ratio of coal burning small and medium-scale boilers is between 10 and 25 percent lower than that of oil burning boilers, then obviously consumption is much higher. In addition to this, former over-estimations of oil output and encouragement to use oil, the make-up of China's energy consumption is not in keeping with China's energy characteristics, i.e., coal being the most important energy source. Today we must greatly cut down on the popular but wasteful use of oil as fuel. But the change to burning coal will of course affect the full utilization of oil dependent machinery and equipment.

The Most Important Basics for Making Energy the Key

Of primary importance is the direct and very close relation between energy and the development of the economy and society. Energy represents an important material basis for the development of the national economy and the improvement of the population's living standards, thus the state of the energy industry is closely related to the development of the present social economy. In terms of technology, industrial production has three material requirements, one is raw materials, the second is energy and the third, machinery and equipment. In a situation with definite material consumption coefficients, the greater the energy used by production, the greater the amount of social commodities produced. The other way around, the amount of social commodities becomes increasingly small. In terms of historical development, early human societies with very underdeveloped levels of productive forces were mainly dependent on manpower and animal power and a few very simple water and wind powered contraptions to provide motive force and to carry out production activities, thus at this point no intimate relation had as yet developed between energy and the development of the productive forces. After the industrial revolution in the 18th century, steam powered machinery became the primary source of motive power and as these machines gradually developed and increased to include internal combustion machines, the long-term development of societal economics was spurred on. Towards the end of the 19th century some industrial nations were using very cheap oil which greatly the developmental level of production. [as printed]

As far as the developmental level and overall speed of development of the economy are concerned, there is generally a proportional relation maintained between a country's GNP or rate of increase of its national revenue and the same country's rate of increase of energy consumption. For example, from 1952 to 1975, out of several economically developed capitalist countries, the biggest and fastest increase in energy production was in Japan with an annual average increase of 8.8 percent. Japan's GNP also saw very fast increases, at an annual average of 8.7 percent. Britain's energy consumption rate was slowest, standing at an

annual average of 1.1 percent and thus Britain's GNP also grew at a slow rate, 2.7 percent. Thus in world terms, this is usually the situation. In 1950 the world's total energy consumption stood at 2.7 billion tons of standard coal and by 1975 it had risen to 8.7 billion tons, an increase of 3.2 times. This speed of increase in total energy consumption also promoted a speedy development in the world economy and world industrial production with 1970 indexed as 100 shows 1950 as 27 and 1975 as 126.

Many irrefutable facts clearly illustrate that increases in the national economy are dependent on increases in energy consumption quantities and that this may be taken as a general and objective rule. At the moment, any country which wishes to speed up the development of its economy must solve this energy problem. During the initial years after the October Revolution, the Soviet Union was trying to handle some extremely difficult problems connected with its economic development and thus Lenin, in his success to "overcome fuel scarcity" drew up "a yardstick for success in economic spheres" and stressed that "not overcoming fuel scarcities would mean that it would be impossible to win frontline victories in the economy." He pronounced those famous words "communism is the combination of the Soviet political force and the electrification of the entire country." At that time Lenin, in his far-sightedness also said, "Without plans for electrification, we cannot carry out correct construction." (Lenin, Work Report to the People's Council--Selected Works of Lenin, Vol 4 pp 397-399).

Furthermore, we must look at the situation in terms of the demands on energy by the tactical targets of China's economic development until the end of this century as well as the developmental trend of energy. In the 12th National Congress the party stated that by the end of this century economic development must have seen a quadrupling of industrial and agricultural annual production and on this basis the material and cultural livelihood of the entire country's population will reach a comfortable level. In accordance with the demands of this target, the annual production value of industry and agriculture must increase by 7.2 percent from 1981 to the year 2000. Thus in the next 20 years there will be relatively large-scale increases in energy demands from economic development and improvements in the people's livelihood.

Let us first look at the demands of economic development on energy. In the 28 years from 1953 to 1980, the average annual total industrial and agricultural production value in China stood at 8.2 percent while energy consumption during the same period rose at an annual average of 9 percent. The energy coefficient (i.e. the ratio between the speed of increase in total energy consumption and the speed of increase of the economy) was 1.1. In general the energy coefficient is usually larger than 1 in those countries carrying out industrial construction. In the next 20 years, on the fairly impressive material and technological basis already established in China and in accordance with the principles of saving and economizing, rational readjustment the production make-up, product make-up and enterprise make-up, improvements and changes will be carried out on equipment and machinery with high energy consumption and thus the management of energy usage will be strengthened and tightened so that we may see visible improvements in the utilization efficiency ratio of energy and a drop in the energy coefficient. However, since China is at present at a stage in which she is still handling modernized large-scale construction, heavy industry must stick together with agriculture and light industry and maintain its present speed of development so

that advanced technology may be used to equip every department and sector of the national economy and provide material guarantees for the improvement and modernization of enterprise machinery and technology. The heavy consumption of energy in heavy industry will in addition effect a drop in the energy coefficient. With a full labor force and an economy with a weak foundation we should not and indeed cannot seek to totally modernise technology in every sector, thus medium and small-scale enterprises with backward equipment and high consumption will remain the rule for some time. This is the most important factor hindering a large quick drop in China's energy coefficient. Thus in the next 20 years, while the energy coefficient will be able to fall, it is not likely to fall in any great way. This situation thus demands a relatively speedy increase in total energy consumption, for only then can we guarantee and ensure a quadrupling of the annual production value of industry and agriculture.

The demands of the people's livelihood on energy. In the next 20 years and on the basis of production development, there will be constant improvements in the living standards of the population both in the countryside and in urban areas. Hence, also the energy consumed by the population will gradually increase. For quite a long time in the past, varying extents of ignorance towards the livelihood of the population, the proportion of energy used by the population has consistently been very low. Readjustment plans put into affect in recent years have resulted in a slight rise in the proportion of energy used by the population and today it represents around 15 percent of total energy consumption for society's overall commodity energy consumption. In economically developed countries this proportion is generally fairly high and in countries using coal, natural gas, oil and electricity as commodity energy sources such as United States, Britain, France and West Germany, this proportion today is as high as 35 percent of total energy consumption. In Japan the proportion is rather low, around 25 percent. Thus as the standard of living improves, so the proportion of energy used by the population in terms of total energy consumption, also rises and this may be taken as a general rule. Although energy consumption in China cannot be compared with that of Western countries in terms of quantity of energy consumed, nevertheless increases in the incomes of the population, an enriching of the content of consumer consumption, a gradual widening and increase in the use of electrical gadgets in the home, improvements in living conditions, increase in public services installations and development in commercial services all require an increase in the amount of energy used by the civil population.

In order to comply with the demands of the increased economy and improved living standards as they will be by the end of the century, there must be an enormous increase in total energy resources. Thus from the point of view of China's present energy production and its developmental trends there will be in the next few years a low speed increase in energy resources. The main reasons for this are: on the one hand, that for a long time in the past the rather fast increase in energy resources depended to a certain extent on consolidation and intensifying of mining and oil drilling with the result that proportional dislocations occurred in mining and stockpiling, so that in the last few years the fast increase in energy production was forced to slow down so that the internal proportions in the oil fields and in the coal mines could be adjusted. Furthermore, today, the base figures for energy output have increased and thus every year production

will increase by the same amount and the speed of increase will drop drastically. In 1980 the total production of primary energy sources in China stood at 637 million tons of standard coal and thus if we go by the annual average increase in energy production from 1953 to 1980 of around 21 million tons, then from 1981 to the year 2000, the annual average increase will only be 32.5 million tons and the speed of increase per year until the year 2000 will only be 3.6 percent. And it is the difference between this latter figure and the projected and desired annual average increase in industrial and agricultural production of 7.2 percent, that is rather too large. In actual fact, the restrictions caused by a variety of different factors mean that an annual average increase of that much in energy production would be extremely difficult. This illustrates that for a long period of time in the future there will exist some very great contradictions between China's energy production and the demands on energy from economic expansion and improvements in the living standards of the population. If we do not make energy an important tactical point, then our tactical targets in the future will be very difficult to reach.

The innate rules and basic characteristics of the development of energy also determine that energy must become a major tactical point in the future development of the economy. The development of energy involves construction of very fundamental equipment and facilities and the whole process is complex, long-term and requiring high investments and long periods of time before results may be seen or appreciated. In terms of coal, to set up a mine which will produce 1 million tons of coal a year requires an investment of nearly 200 million yuan, taking around 7 years. To develop large-scale open-cut coal mine producing around 20 million tons of coal annually requires an investment of around 3,000 million yuan and about 10 years of time. As far as hydroelectricity is concerned, the construction of a hydroelectric station with a 1 million kilowatt turbine requires an investment of 1 billion yuan and about 10 years of work. Thus, no matter whether one is talking about a coal mine, an oil field or a hydroelectric station, both investment and time are costly and the time scale often runs to between 10 and 30 years before results are seen. Because of changes in the requirements for energy development, including superior standards of machinery and equipment, varying locations of projects, inflation in the cost of raw materials and installations etc., the necessary investments for such projects have increased even more. For example, to develop an oil field at sea costs several times as much as the development of a similar scale oil field on land. The spread of various energy producing deposits in China is very unbalanced. Thus most hydroelectric sources are located a long way from economic centers in such areas as the southwest and the northwest, while most coal deposits are found in the north and the most recently exploited oil fields are mainly in the northeast and coastal regions. The eastern coastal regions of China are economically fairly well developed, but the energy production in these regions is insufficient for their needs and a great deal of energy has to be transferred there from inland areas. As a result an imbalance has arisen in which northern coal is constantly shipped to the south, and western coal constantly shipped to the east, whereas oil and its various byproducts are mostly transported from the east to inland areas. As the economy continues to develop the problem of moving hydroelectric power from the west to the east arises. Such displacement of China's energy resources has meant that the development of the energy industry is very closely related to the development of

transportation and communications. Development of energy resources demands the improvement and strengthening of communications and transportation. The development and construction of the transportation and communications industry also requires long periods of time, high investments and slow returns and this situation only adds to the complexity and difficulties involved in expanding and developing the energy industry in China. It should also be remembered that past economic mistakes, in particular those destructive mistakes made during the 10 years of social chaos, have meant that the initial preparation work for the development and expansion of the communications and transportation industry as well as the energy industry was lost and thus several years time went down the drain. At present there are insufficient oil reserves being exploited while several coal fields and hydroelectric projects as well as further exploration and design work stand idle. This only adds to the problems of developing the energy industry, for not only is increased investment necessary in order to develop energy resources, but also a fairly long preparation period is also vital. In addition, China is only in the initial stage as far as new energy projects and development is concerned, with exception however of methane energy development. This situation therefore demands that as from today, we must exert ourselves in an effort to truly develop the energy industry.

In basic terms, making energy an important tactical key to future economic development is, in the case of China, a necessary demand made by the new developmental road that the economy is making. Energy resources in China and the various deposits of energy producing products are bountiful but in terms of the world population the total is not so great. And while in the future new deposits may be discovered, China's population will continue to increase and thus the basic amount of energy per head of the population will in the long run prove more difficult to solve and change. It should also be remembered that the foundations in China are relatively weak and construction investment is insufficient. These hard facts make us realise that in China's modernized construction program it is vital that energy be valued and used efficiently and to the utmost, in the hope that less energy consumption might bring increased social benefits. In other words we must greatly increase the utilization efficiency of energy. This is one of the most effective and realistic ways of easing the energy shortage over a long period of time as well as being an important and correct way for China to solve her energy problem.

For a long time in the past China's economic construction program depended on large scale increases in energy consumption in order to increase reproduction. However, energy utilization ratios were very low and thus for a fairly long period of time the energy problem in China was seen as one of energy shortage and not overconsumption. Hence, if we do not solve this problem of large-scale energy consumption our modernized construction program has little future. In his report to the Fifth Plenary of the Fourth National People's Congress in November last year, Comrade Zhao Ziyang said, "To a very great extent, the questions of whether China can maintain its relatively fast increases and develop in the national economy and can open up a new era of development depend on whether or not the problems relating to energy and transportation can be adequately solved." In the 12th CPC National Congress Comrade Hu Yaobang made this point even clearer when he said, "We must ensure that the national economy

develops at a set speed and thus we must make efforts to develop energy resources and economize on energy consumption." To a certain extent cutting back on energy consumption and raising the energy utilization efficiency ratio depends on strengthening administration and management in energy consumer units as well as rational readjustments to enterprise make-up and organization. However, after having economized to a certain extent, the problems become even greater because the more we cut back the more we must rely on using new equipment, new technology and new production methods and the more we must rely on improvements in the commodity make-up. The implementation of such measures and the extraction of definite results not only require large investments but also a definite procedure. For example, one efficient way of economizing in energy is to integrate thermoelectrics with medium and low pressure units. However, the integration of thermoelectrics works out as an investment of about 1,000 or 2,000 yuan per 1 kwt while new medium and low pressure units involve an investment of 700-800 yuan. Each project requires around three years for completion. At the moment China has around 13 million kwt of medium and low pressure units requiring adaption to new designs and to have all of them altered would require an enormous investment as well as a very long time. Another example: at present China has 180,000 industrial boilers, most of them of old design. On average they have a heating efficiency of around 50 percent and if we wished to increase this efficiency to a level equal to that of overseas advanced levels, i.e., 80 percent, the entire country would be able to save around 50 million tons of standard coal every year. In order to implement this project the machinery and industry department must examine and study and produce boilers with high heating efficiency as well as updating older more impractical models, and of course the whole project would have to be done in stages. This would require a large financial investment [words indistinct] several years work. Thus, by taking the reduction of energy consumption and the increasing of energy utilization efficiency as the nucleus of the problem, we should make an all-round and long-term study as well as plans for the future in terms of energy production and utilization policies, the developmental direction of machinery systems, the makeup of technology and commodities as well as the direction that development of and readjustment to enterprise structure is taking. We must become involved more deeply in such things as building projects based on economizing, related scientific research and test manufacture as well as the production and utilization technology, machinery and production processes constructed or designed around economizing on energy.

The Basic Way of Solving the Energy Problem Satisfactorily

The large-scale investments and long time scale involved in developing energy resources in order that effective programs may be put into play in the latter 1980's and the 1990's mean that we should begin immediately to arrange everything so that we may be sure to see a definite speed of development as well as a definite scale of development and that within a short period of time energy production may develop at a stable rate and in the mid- and long-term the scale of such production may expand. At the same time, improvements in management and improvements in technology must help us in our work to economize and from these economies will see a growth in the economy. In order to solve the energy problem, the following few measures should be adopted:

1) The necessary funds must be accumulated and energy investments properly organized while the construction of the energy industry is speeded up. Most large-scale energy construction programs demand large investments but the responsibility of this should not lie in each individual region or in each individual department, instead such projects and such investment must be smoothly carried out with collective funds from the entire country. Since liberation energy development work has mainly depended on nationally accumulated funds for development and speedy expansion. In the last few years however, the overall national revenue has dropped and thus important construction projects including the energy industry have lacked necessary funds and the repercussion of this is restrictions imposed on the potential development of the national economy. However, at the same time, independent funds in individual regions of enterprises have gradually increased and much of this money has gone to financing construction projects involving large-scale energy consumption, therefore only adding to the contradiction between energy supplies and demand. Thus it is necessary to establish a feeling of "togetherness" and while continuing to run the economy and exercise and guarantee the rights to autonomy claimed by enterprises, we should also centralize accumulation of necessary funds for implementing vital energy construction programs. Such accumulation should be based on the basic differences in different regions as well as the proportional distribution of regional financial revenue and enterprise profits, etc. In addition it might be possible to take a certain proportion of enterprise profits above the amounts predicted and use this money specifically for energy construction investments. At the same time we must encourage regions, departments and enterprises to adopt all kinds of economic unification policies and use a certain amount of their funds for energy construction. In recent years there have been many examples of cooperation in terms of energy work between regions and the central government, between regions and enterprises as well as interenterprise and interregional cooperation. We should learn from these experiences and use them to help us promote even further the development of energy resources.

Money should be raised specifically for energy development programs while greater efforts should be made to make use of foreign funding including funding and loans from international organizations and loans from foreign governments. This is of particular importance in the case of offshore oil field exploration and development, where investment is far greater than that needed for coal mining development. With greater use of foreign investment and funds, there is the prospect of finding new oil fields. As far as the distribution of such investment is concerned the last few years have seen most money being put into coal mining and hydroelectricity; now we should increase exploration and development of oil and natural gas as well as starting on the establishment of nuclear power stations. Investment distribution should take into account both present day needs as well as long-term development and in this way work out long-term plans. On the one hand we should gather our strength together to speed up construction programs, so that new undertakings may go into operation as soon as possible and thus energy production increase. On the other hand, we must be aware of long-term demands and thus on the basis of later development organize pre-construction preparation work so that the energy industry may continue to develop in stability. The distribution of investment should also take into account economizing and initial development work. A large amount of energy that will be needed by tomorrow's developed economy is dependent on present economizing and a very important link in this chain is improvements in technology.

2) Development of energy resources demands an integration of new construction work, reconstruction work and expanded construction work as well as integration of large-, medium- and small-scale work. On the basis of the overall benefits of the national economy the country should gather together its strength to construct a series of new and modernized coal mining, oil and hydroelectric bases which will act as the backbone of future development. These backbone enterprises with advanced technology, enormous output high efficiency and long-term service will make effective use of large quantities of energy producing raw materials. Nevertheless investment for such enterprises is high and the time scale long. With too many large-scale projects, limited funds may lie idle and tied up in these projects with the result that vital energy cannot be gained. Thus, in those areas with suitable investment requirements many medium- and small-scale coal mines and hydroelectric power stations should be developed and in this way we will be able to achieve effective results with minimal investment and time while at the same time encouraging all regions to actively develop energy resources.

While setting up new energy enterprises, we must remember to fully exploit those energy-producing bases we already have and thus continue to exploit, improve and give aid to these already established enterprises. The development of energy resources should be as follows: First carry out all round organization of old enterprises and old bases; second continue expansion work on those new energy bases that have already started development; and only then, third, develop new undertakings. It is far more economical in terms of investment and time to develop and expand those areas rich in coal and oil, with good transportation and communications, using old enterprises as a starting point, rather than develop a totally new enterprise of a similar scale. The coal mining industry in China today possesses many large mining areas and nearly all of them are the result of improvements and development on former old mining areas.

Regardless of whether one talks of new construction, reconstruction or expanded construction, the development of energy resources must be aware and attuned to the importance of distribution and overall arrangement, before the fruits of investment may be appreciated. On the one hand coal resources should be developed in those areas with high consumption but energy shortages such as Dongbei, Huadong and the regions around Beijing, Tianjin, etc.; in this way the coal shortage problems in these areas could be alleviated and the problems of long distance transportation of fuel also solved. On the other hand, there must be concentrated work on developing the coal resources of Shanxi, Guizhou, eastern Inner Mongolia and eastern Heilongjiang and of these development of the Shanxi deposits is the most important. While developing and exploiting these coal deposits improvements and extension work must be carried out on the railway transportation system, including new construction work and technological improvements. In this way we will solve the problem of transporting western coal from the west to the east and from the north to the south.

3) Large-scale economies on energy consumption. Energy management should be strengthened, and in particular grassroots and very fundamental work should be strengthened. We must get to grips with establishing a healthy energy management body and management system including such policies as the estimation system,

quota system, reward and punishment system and the normalization and systemization of work on saving energy. We must establish an energy balance in the whole country as well as each individual region sector and major enterprise. At the same time we must strictly work out energy production and utilization planning. The system of energy distribution responsibility must be implemented in enterprises with high energy consumption and irrational increases in consumption will not be tolerated.

Furthermore, there must be readjustments made to the structure of commodities and enterprise organization. In the last few years when the ratio of light industry to heavy has been raised, energy consumption in these areas has dropped along with the fall in the ratio of heavy industry to light. In addition to altering the ratio between light and heavy industry we must set up economic structures with low consumption, high output, concentrated labor and technology and energy saving policies. At present we must also concentrate on altering the commodity structure so that products which require less energy in production may take the place of those which require greater energy consumption. For example, more scrap iron should be used and consumption through iron smelting should be reduced by reducing the proportion of iron to steel. Iron smelting consumption of energy represents around 70 percent of total energy consumption in the iron and steel industry and today in China the proportion of iron to steel stands at 1.07:1. while abroad it is generally 0.7:1. According to estimates concerning China's present level of production, every drop of 0.1 in the proportion between iron and steel would mean a saving of between 6 and 7 million tons of standard coal. By changing the make-up of chemical fertilizers and increasing the proportion of low energy consuming fertilizers such as phosphate fertilizers and potassium fertilizers and reducing the use of nitrogenous fertilizers which are high energy consumers we can both increase agricultural output and economize on energy consumption in production. Other effective methods include replacing solid bricks with hollow bricks and cement pipes replacing iron and steel pipes. We must readjust the structure of enterprise organization so that small-scale enterprises with high energy consumption, high losses and bad selling products are reorganized and improved and in some cases even stopped. Those small scale enterprises which contend with large enterprises for raw materials and energy should also be closed or radically altered.

Technological improvements should be carried out taking energy conservation as the key. In the short term work should be concentrated on carrying out economically effective technological improvements to such high energy consuming industries as electrics, metallurgy, chemicals, building materials, oil, railway and communication. Thus, for example, efforts should be made to improve that insulation and heat preservation, to make better use of surplus heat and combustible waste gases, to improve the production procedures in small-scale chemical fertilizer factories, restore, replace and improve old-fashioned and backward machinery and gradually eliminate ineffective boilers, etc., and improve medium- and small-scale steam turbine generators. By trial testing we should gradually make wider and wider use of energy conserving technology, new production methods and new products. All kinds of new energy conserving methods and pieces of equipment should be tested and promoted, including for example the improvement

of cement kiln external decomposition or the tops of blast furnaces, etc. In order to successfully carry out improvements in technology with energy consumption as the key, the machinery industry must study, develop and experiment with new machinery and equipment which is both highly efficient and also energy saving. Of primary importance is the handling of such equipment and machinery as internal combustion engines, boilers, steam turbines, cars, water pumps, wind powered machines, compressors and generators. In addition products produced in large quantities at high rates of energy consumption should be replaced while efficiency should be raised and consumption generally lowered in accordance with the specific demands of each department needing to improve its equipment in order to economize on energy. Active efforts should be made to popularize low energy consumption equipment while strict controls should be placed on the production and sale of high energy consumption equipment.

4) The energy problem in the countryside should be solved as soon as possible. Because of insufficient quantities of commodity energy at present in China and the inability of the peasants to shoulder the cost of commodity fields, as from today, the peasants should rely mainly on local energy resources for energy needs in daily living. Energy for production will be provided by the state in the form of coal, electricity, oil and other commodity energy sources, thereby supplementing the peasants small scale coal and hydroelectric resources. In order to solve the energy problem in the countryside it is vital to implement policies of control according to local conditions, integrated utilization, etc., so that local energy resources may be developed as much as possible and so that the rational utilization and economizing on peasant's energy resources may be correctly handled. In order to solve the energy problem in the countryside the following few measures should be implemented: (a) economizing on firewood and coal car mean gains of up to 30-35 percent in heat efficiency and saving firewood means saving time and money. (b) methane generating pits should be developed so that straw, manure and other organic substances may produce methane through decomposition thereby solving the problem of energy required for daily living in the countryside. The development of fertilizers from methane pits would also help peasant production and would radically improve health and hygiene in the countryside. (c) barren regions should be used for planting fuel forests. (d) in those areas where it is suitable, small coal kilns should be introduced along with small hydroelectric units and the exploitation of solar and wind and tidal energy.

5) Draw up energy-related economic policies in keeping with the present state of the country. Now the most important policies relating to energy are already very clear. Development and economizing are the most important things and from now on we must place economizing in a superior position. As from today we must give priority to developing coal and hydroelectric power as well as putting great efforts into natural gas and oil exploration. These policies must be embodied in our medium- and long-range plans and in addition to these there are also some more concrete energy policies such as adopting supportive and active policies for regional coal mining development which includes providing investment funds necessary for regional coal mining development, contracts between the central government and regional governments, and partial repayment

of loans by coal. In addition the state will continue to provide subsidising funds for the improvement of regional mining technology. In small-scale hydro-electric construction programs, a policy of "whoever constructs, manages, possesses also carries the responsibility for all gains and losses." As far as economizing is concerned, coal distribution should be carried out on a discriminatory basis according to who has economized and who has used too much, with those having used too much having to pay a higher price for the coal. Special taxes should be levied against oil burning enterprises with the prices of crude oil and fuel oil being readjusted suitably so that rational utilization and economizing of energy may take place. Restrictions should be put on the export of products requiring high energy consumption while strict reward and punishment systems should be introduced for energy saving. Only through stabilization of these energy policies can we ensure a healthy and stable development for the energy industry.

CSO: 4006/191

NATIONAL POLICY AND ISSUES

'RENMIN RIBAO' ON DEVELOPING INDIVIDUAL ECONOMY

OW090732 Beijing XINHUA in English 0710 GMT 9 Jan 83

[Text] Beijing, 9 Jan (XINHUA)--Today's PEOPLE'S DAILY frontpages a letter from an official of the Shandong Provincial Administration for Industry and Commerce, Sun Fengshan, demanding protection of individual economy in accordance with the new constitution.

The letter says that enterprises run by individuals in Jinan, the capital of Shandong, have met difficulties in their work. Too many restrictions are imposed on these enterprises. They are not treated equally as state-owned or collective enterprises by wholesale departments for replenishing their stock. Their business licences are often confiscated, their stalls kicked over or they are fined on ground of making the streets look untidy. As a result, a number of young people who were self-employed again become unemployed.

An editorial carried in the PEOPLE'S DAILY stresses that appropriate development of individual economy is a necessity of the social economic life.

It says that the party's policy concerning the existence and development of individual economy is very explicit. The new constitution fully affirms the necessity of the development of individual economy.

Individual economy is not an economy of the capitalist nature, the paper says. It is a combination of the individual ownership of the means of production with individual labor, and the laborer supports himself by his own labor. There is no exploitation. At present the individual workers in Chinese cities and towns in general earn their own living by labor and offer their own skills to the country. This has nothing to do with capitalism but is beneficial to socialism. Such an economy should be put under protection and support.

The paper says that individual economy under the socialist system will not generate capitalism. As socialist transformation has long been completed in China and a mighty socialist economy has been established, the way to capitalism is blocked for individual economy which can only be affiliated to socialist economy.

To develop individual economy is not a make-shift measure, the paper continues. For present-day China, the development of socialist mass production is not sufficient, commodities are not abundant and the circulation of commodities is slow. It is necessary to have small retail sale shops spread in various parts of a city for the convenience of the people. As to service trades such as repairing, photographing, washing and sewing, it is better to run by individuals.

Though individual economy has been restored in the past few years, the number of enterprises run by individuals are still too few to meet the needs of the social economic life, the paper says. It is imperative to adopt measures to promote the development of individual economy for a considerable period in future.

CSO: 4020/38

NATIONAL POLICY AND ISSUES

DISCUSSION ON GETTING RICH THROUGH LABOR

HK030851 Beijing JINGJI YANJIU in Chinese No 11, 20 Nov 82 pp 53-56

[Article by Xie Youtong [6200 0147 2938] and Hu Peizhao [5170 1014 0304] of the Institute of Economics of Xiamen University: "Persist in Getting Rich Through Labor"]

[Text] I. Getting Rich Through Labor Is a Socialist Principle

The socialist system is a brand new system which carries out the system of public ownership of the means of production, practices the system of universal labor duty and implements the principle of distribution according to work and is therefore a system free from exploitation which admits of no exploitation. By relying on the superior socialist system and their own hands, the socialist state, the collective and the individual build a happy life. Comrade Mao Zedong said: "Socialism has not only liberated the working people and freed the means of production from the shackles of the old society but has also released the boundless resources of nature which the old society could not exploit. The masses have unlimited creative power. They can organize themselves to take on all spheres and branches of work where they can give full play to their energy, tackle production work intensively and extensively and initiate more and more undertakings for their own well-being." (Selected Works of Mao Zedong, "Editor's Note From 'Socialist Upsurge in China's Countryside,'" Vol 5, p 253).

Under the socialist system, the workers, peasants and intellectuals can free themselves from exploitation and work for themselves. Lenin said: "They have for ages worked for others and done hard work for the exploiters. Now they have the possibility of working for themselves for the first time in their life and furthermore use all of the latest technical and cultural achievements in doing so." (Selected Works of Lenin, "How To Organize an Emulation Drive," Vol 3, p 393). Lenin held that the replacement of the previous practice of working for others under coercion by today's practice of working for themselves "is the greatest replacement in the history of mankind." (Selected Works of Lenin, "How To Organize an Emulation Drive," Vol 3, p 393). In this way, the irrational phenomena of the alienation of production conditions from the producers and that of product from labor, phenomena which are bound to exist in capitalist society, disappear from then on and the two are restored on a higher foundation. This constitutes the substantial superiority of the socialist system.

Since the development of the socialist society is a historical process, the building of a high level of material and spiritual civilization will take time. Therefore, in the primitive stage of socialism which has just been built on the ruins of capitalism, objectively, everyone cannot possibly live an equally well-off life, and the difference in material interests between the individual and the collective is necessarily permissible, that is, on the road toward common prosperity, the phenomena in which the people get rich, whether early or late, quickly or slowly, is tolerable, but there must be a principle to be upheld in this respect; that is, at any time the individual and the collective in a socialist country can get rich only through labor and not through the exploitation of others or the appropriation of the property of the state and the collective. The obnoxious practice of exploitation of man by man should not be allowed to exist any longer or to come about. The revolutionary teachers made explicit expositions on this issue. Engels said that socialism is bound to "wipe out the phenomena in which the needs of some people are satisfied at the expense of the interests of the rest." (Selected Works of Marx and Engels, "Communist Principles," Vol 1, pp 223-224). Lenin said that the socialist revolutions waged by the proletariat are bound to "eliminate all forms of exploitation of a section of people by another section of people in the society." (Selected Works of Lenin, "The Draft of the Program of the Russian Communist Party (Bolshevik)," Vol 3, p 755). Lenin got extremely angry at those scoundrels who enriched themselves by making the best use of the national calamity suffered by the Soviet political power and advocated that they should be mercilessly suppressed with an iron hand. (Selected Works of Lenin, "The Present Task of the Soviet Political Power," Vol 3, p 517). Lenin said: "In order to prevent the restoration of the rule of the capitalists and the bourgeoisie we must not allow profiteering, we must not allow individuals to enrich themselves at the expense of the rest." (Selected Works of Lenin, "The Tasks of the Youth Leagues," Vol 4, p 354). He also fairly explicitly pointed out that one of the reasons why the state apparatus should still be preserved after the proletariat had overthrown the rule of the bourgeoisie lay in the fact that "we want to use this apparatus or tool to abolish all sorts of exploitation." (Selected Works of Lenin, "On the State," Vol 4, p 56) The elimination of exploitation is of great significance and enables the people with the ability to work in the whole society to take part in labor, live on their own toil and create material wealth for the state. At the same time, it is also an important guarantee of social stability and unity.

By getting rich through labor, we mean that on the premise of upholding the socialist road and working selflessly for the fulfillment of the development plans of the state, we must create increasingly rich material and spiritual wealth for the state, the collective and the individual so as to attain the objective of making the country prosperous and the people rich. A socialist country must rely exclusively on its own efforts and on the arduous struggle of the people of the whole country in its endeavors to get rich rather than relying on exploitation, plundering and aggression as the capitalist countries have done in their endeavors to amass wealth by taxation. Similarly, the individual and the collective in a socialist country must enrich themselves through their own proper labor in all respects instead of resorting to the tricks of the exploiters and of relying on squeezing the labor of other people. This is an important feature differentiating socialism from any previous systems of exploitation.

In a society where the private ownership system prevails, man has to live under the system of exploitation. In the several thousand years of history ranging from slave society to capitalist society, a small number of people who appropriated the means of production and subsistence goods always lived a life of wanton extravagance by squeezing the surplus labor of the rest. On the other hand, in order to eke out an existence, the poor people who were utterly destitute had to swallow humiliation and bear a heavy load, undertake the whole of social labor and provide to no purpose the parasitic classes with surplus value. Marx said: "In the places where a section of people enjoy the right to monopolize the means of production, in addition to the working time needed for supporting themselves and their families, the toiling people, whether they are free or not free, have to spend additional excess working time on producing subsistence goods for the owners of the means of production, be the owners aristocrats of Athens, Etruscan monks and priests, Norman barons, American slaveowners, Suzerains of Wallachia, modern landlords or capitalists." (Capital, People's Publishing House, 1975 Edition, Vol 1, p 263). Although the exploited classes put up an infinite number of struggles in their attempts to overthrow this irrational system of exploitation of man by man, they failed in the end to extricate themselves from the lot of being exploited and enslaved due to the restrictions of historical conditions. History has to advance in agony in the course of the replacement of an exploiting class by another one and of a system of exploitation by another one. It is not until the system of exploitation enters the highest stage of the development of capitalism that it will reach its historical destination. It is through making revolution, expropriating what belongs to the expropriators and realizing socialism that the proletariat can bury the system of exploitation forever. The draft of China's revised constitution stipulates: "The basis of the socialist economic system of the PRC is socialist public ownership of the means of production, that is, ownership by the whole people, and collective ownership by working people. The socialist economic system has abolished the system of exploitation of man by man and it applies the principle of from each according to his ability, to each according to his work." This is a profound reflection of the essential requirements of the socialist system and the wishes of the people. As for the practice of the foreign capital which was imported after the implementation of the open door policy to other countries gaining a certain amount of profit being permissible, this will not be discussed in this article.

II. Personal Income Should Not Exceed the Limit of Income From Work

To thoroughly uproot the system of exploitation, socialism must abolish the capitalist system of ownership of the means of production. Therefore, it is completely necessary and correct to carry out the socialist transformation of the means of production following the seizure of political power by the proletariat. However, socialism does not deny the individual system of ownership of subsistence goods. Marx said that the negation of the capitalist ownership system means "re-establishing the individual ownership system on the basis of the achievements of the epoch of capitalism, that is to say, on the basis of the cooperation and of the common possession of land and the means of production created through labor itself rather than establishing the private ownership

system anew." (Capital, People's Publishing House 1975 Edition, Vol 1, p 832). In this regard, the "Manifesto of the Communist Party" has clearly stated: "Communism deprives no man of the power to appropriate the products of society; all that it does is to deprive him of the power to subjugate the labor of others by means of such appropriation." (Selected Works of Marx and Engels, "The Manifesto of the Communist Party" by Marx and Engels, Vol 1, p 267) At the present stage in which the productive forces are not fairly developed and moreover present a multifaceted appearance, the individual economy in which some of the means of production are privately owned is allowed to exist within certain limits as a complement to the socialist sector of the economy. This individual economy with the attainment of subsistence goods as its objective and with the possession of the means of production as its means of labor instead of its objective is, in essence, a specified form of re-establishing the individual system of ownership of subsistence goods. What we want to discuss is the individual system of ownership of subsistence goods as meant by Marx.

How should individuals in a socialist country establish the individual system of ownership of subsistence goods? Or how do they obtain the power to appropriate the products of society? The only correct way must be to obtain it according to the work done. First, all working people in the state-owned enterprises and the units of the collective economy in town and country and all working personnel of government organizations must work in a way of each doing the best he can and in a manner of all being the masters of the country. All of them must make concerted efforts, constantly improve production techniques, perfect the economic management system and the operational and management system of enterprises, practice strict economy, combat waste and proceed to continuously raise labor productivity and economic results, develop productive forces and create as much material wealth as possible for the state and the collective. Second, the share of consumer goods which every worker or functionary receives from the total amount of social consumer goods according to the amount of work he did form the major contents of the individual system of ownership of subsistence goods (because personal income is not confined to this in general, for example, inherited property, legal income from household sideline production and interest from private savings deposits and others all constitute the contents of the individual ownership system). Therefore, the nature, source and quantitative limit of the individual system of ownership of subsistence goods in a socialist country have their own respective social regularities.

The nature of the individual system of ownership of subsistence goods in a socialist country is that it is an individual ownership system based on "the common possession of the means of production," that is, an individual ownership system with the socialist economy as its mainstay. On the one hand, it is more stable and solid than any of the tottering individual ownership systems in history and on the other hand, it provides goods which "ensure that all members of society will have a rich and increasingly ample material life and further ensure that their physical power and intelligence can be fully and freely developed and utilized" rather than goods with which, historically, working people eked out their livelihood. Therefore, this is an individual ownership system peculiar to socialism.

The source of the individual system of ownership of subsistence goods in a socialist country is income from work which is earned according to the principle of distribution according to work. The power of the producers to own the products of society is "in proportion only to the work which they put in." (Selected Works of Marx and Engels, "The Critique of the Gotha Program" by Marx, Vol 3, p 11). With the exception of this, there should be no other prerogatives to possess consumer goods. The working people engaged in the individual economy must also live by their own exertion and not appropriate others' income from work.

The quantitative limit of the individual system of ownership of subsistence goods in a socialist country, on the one hand, takes the quantity of the subsistence goods in the income from work as the limit. "Except personal subsistence goods, no other goods can be claimed as personal property." (Selected Works of Marx and Engels, "The Critique of the Gotha Program" by Marx, Vol 3, p 11). The difference in work between different producers sets the rational limit of the difference in the degree of prosperity between different producers; that is, more pay for more work, so more prosperity, and less pay for less work, [as printed] so less prosperity. On the other hand, it confines itself to the fulfillment of the living consumption which is determined by the level of certain productive forces. The individual system of subsistence goods will develop with the expansion of the social productive forces and in particular the "development goods" contained in subsistence goods which are needed for developing physical power and intelligence and the "entertainment goods" which are needed for enabling the working people to live a happy life will develop more rapidly. However, for a certain period, the system must have a certain limit in quantity. No producer must go beyond the limits of material conditions to blindly pursue material enjoyment. Similarly, it is not necessary to unlimitedly expand the scope of this ownership system.

In the course of establishing the individual system of ownership of subsistence goods based on getting rich through labor, we must persist in the socialist road. First, the labor through which one gets rich must be a necessary component part of the entire labor of socialist society and in keeping with the direction of the state's economic plans and arrangements. It is not permissible to get rich for the sake of getting rich. The practice that so long as you can make a fortune at a job you will do it is bound to depart from socialist principles. Second, we must correctly handle the relationship between the individual and the state and the collective and between the individual and other people and uphold the principle of making the country and the collective rich ahead of others and of never stopping others from getting rich. The interests of the state are the fundamental interests of the collective and the individual. Why could working people not get rich no matter how desperately they had worked in the old society? The key to this question lies in the fact that the country was not in the hands of the toiling people. A prosperous and powerful socialist country is the fundamental guarantee of the individual and the collective becoming prosperous.

Such an individual ownership system as mentioned above is utterly rational and should be given legal protection in a socialist country. China's draft of the revised constitution stipulates: "The state protects the right of citizens to own lawfully-earned income, savings, houses and other lawful property." On the contrary, the individual ownership system which does not fall into this category but is established by illicit means outside personal labor is not permitted to exist. On the one hand, we must encourage the emergence of the outstanding households which have become rich through labor and on the other hand, prevent the upstarts who have become rich by evil means from gaining ground.

At present China's productive forces have not reached the level of modernization. In keeping with this, the people's livelihood cannot be improved very rapidly. The State Statistical Bureau made public that the average money wage of the staff and workers throughout the country in 1981 was 772 yuan and the average per capita income of the peasants accounted on the basis of a sample investigation was 223 yuan. This is the average level of the individual system of ownership of subsistence goods owned by every producer through his income from work in a year in present-day China. The income of a small number of staff and workers who engage in advanced and sophisticated labor and of peasants who are especially capable of managing business affairs is, of course, far more than this figure. If the amount of labor they put in is converted into 100 percent of the average level, their annual income will then be 7,720 yuan (the monthly income being more than 640 yuan) or 2,230 yuan (the monthly income being more than 180 yuan). In fact, those people whose income from work exceeds 100 percent of the average wage constitute a tiny minority. However, at present the income of some people in urban and rural areas who engage neither in advanced and sophisticated labor nor in legal operations with their sound management ability, unexpectedly reaches more than 10,000 yuan or tens of thousands of yuan. How can the pure income from work of the staff and workers in the cities and the countryside, the peasants and cadres who are really honest in performing their official duties, diligently and conscientiously work like a willing ox and who do not indulge in dishonest practices attain this figure?

In the last 2 or 3 years, some people have feverishly concentrated on money and are bent on getting rich quick by foul means, and in order to make money, they resort to all means to cheat the people and do harm to the state in utter disregard of consequences. Some indulge in grave criminal activities, such as smuggling and sale of smuggled goods, corruption and accepting bribes, speculation and swindling and embezzlement of the property of the state and the collective. This is the special form of acts of getting rich through exploitation which are antagonistic to the proposition of getting rich through labor. It is absolutely necessary to strike stern blows at those malpractices. In addition, to this day, some people, as Lenin put it, have still "stubbornly clung to the mentality of the small owners: provided I can reap some profit, I will not give a hang for other's business." (Selected Works of Lenin, "The Present Tasks of the Soviet Political Power," Vol 3, p 519). We must strengthen education in socialism among them and carry out the education as Lenin encouraged "against the psychology and habits which say: 'I seek my own profit and I don't give a hang for anything else'." (Selected Works of Lenin, "The Tasks of the Youth League," Vol 4, p 354)

All in all, under socialism, we must carry out not only economic construction but also the building of spiritual civilization. So long as the masses of the people have a high level of ideological and political consciousness, we can speed up our economic construction. While carrying out the building of socialist spiritual civilization, we aim at strengthening education in communist ideology and enabling every worker to acquire a revolutionary world outlook and outlook on life, cultivate an attitude towards labor and work of wholeheartedly serving the people, combine the interests of the individual with those of the state and the collective, subordinate his personal interests to those of the state and the collective and resist the various corrosive influences of individualistic ideas, such as seeking private gain at public expense and benefiting oneself at the expense of others. Provided the adherence to the socialist principle of getting rich through labor is combined with ideological education in economic life, the cause of socialism will be able to advance along the correct path.

CSO: 4006/191

NATIONAL POLICY AND ISSUES

DISCUSSION ON INDUSTRIAL RESTRUCTURING

HK211101 Beijing JINGJI YANJIU in Chinese No 11, 20 Nov 82 pp 31-37

[Article by Zhang Zhuoyuan [1728 0587 0377] of Institute of Economics of the Chinese Academy of Social Sciences: "Restructuring of China's Industrial Enterprises in the Light of the Law of Growth of Productive Forces"]

[Text] After the 3d Plenary Session of the 11th CPC Central Committee, economists in China began to study the experience and lessons gained in socialist construction in the three decades since the founding of the PRC. Through this study, they came to a fairly unanimous understanding that China is now facing the dual task of reforming its economic system and restructuring its industrial enterprises. In reforming the economic system, we are mainly concerned with the readjustment of the relations of production and the superstructure so that they can better meet the needs of the development of the productive forces. Therefore, it is chiefly a matter of acting in the light of the law of social economic development as expounded in political economics. In restructuring the industrial enterprises, however, we are mainly concerned with the rational organization of the productive forces in such a way as to combine their key elements in the best possible way. Thus, it is chiefly a matter of acting in the light of the law of growth of productive forces.

The structure of China's industrial enterprises had been growing in an abnormal way for quite a while. There were many reasons for this, but the contributing factor was "left" rash advance in our guidelines for economic construction. It also had something to do with the following traditional way of thinking: people thought that there were only objective economic laws which govern changes in the law of growth of production relations. They denied that there were also objective economic laws which govern changes in the growth of productive forces and tried to make the law of growth of production relations "swallow" the law of growth of productive forces. They simply ignored and violated the law of growth of productive forces. This led to serious consequences. In our future endeavor to restructure and perfect China's industrial enterprises, we must avoid past mistakes and conscientiously act in the light of the law of growth of productive forces.

I. In Restructuring China's Industrial Enterprises at the Present Stage, It Is Necessary First To Act According to the Law of Development Which Accords Top Priority to Agriculture, Followed by Light Industry and Heavy Industry

There are many laws of growth of productive forces. In my opinion, the law of growth which is of utmost importance to our present endeavor to restructure China's industrial enterprises is the one which accords top priority to agriculture, followed by light industry and heavy industry.

Since China's productive forces are not highly developed at the present stage, the proportional relationships between agriculture, light industry and heavy industry remain the most important proportional relationships in the national economy. The net output value of agriculture and industry accounts for over 80 percent of the national income. In the 3 years between 1979 and 1981, the average percentage was 85.9. If the proportional relationships between agriculture, light industry and heavy industry are basically harmonious, then the proportional relationship between the two major departments of social production will also be basically harmonious. In this way, the balanced development of the national economy will be guaranteed. Otherwise, the balanced development of the national economy will be jeopardized.

The law of development which accords top priority to agriculture, followed by light industry and heavy industry means that in the development of the social economy, the general practice is to develop agriculture first. When agriculture is developed, emphasis is then laid on developing light industry which chiefly takes agricultural products as raw materials and serves agriculture; when agriculture and light industry are developed they will expect heavy industry to provide them with a greater quantity of more advanced machinery and equipment (including raw materials for light industry) and undergo technical transformation. This will promote the large-scale development of heavy industry with concentrated efforts. This is an objective law governing the growth of social productive forces. It is also the natural course of the history of the development of social economy.

The law of growth of productive forces discussed above shows that in ordinary circumstances, if a country, particularly one which was a fairly large territory and population, seeks to achieve self-reliant industrialization and develop from a traditional agricultural country into an advanced industrial nation, it must develop light industry on a large scale (with the corresponding development of heavy industry of course) on the premise of developing agriculture and then promote the rapid development of heavy industry (with the corresponding development of agriculture and light industry of course).

When countries like Britain and France began their industrialization, agriculture still played a dominant part. The principal industries were textile and other light industries. Heavy industries such as the coal and iron and steel industries were developed. Such an industrial structure reflected the state of social productive forces at that time. In those days, these countries had fairly reliable sources of raw material and markets for their textile industry. They

also had the technical know-how (they had accumulated rich experience since the original handicraft industry and workshops had been in this line of business for generations). Thus, they naturally began their industrialization with textile and other light industries. The capitalist enterprises then were small in scale and did not have a large accumulation of funds. They did not have the necessary financial conditions for the large-scale development of heavy industry and were well suited to light industry. It was only when light and textile industries were fairly well developed and demanded more machinery and equipment to fit themselves out that the large-scale development of the machinery industry and heavy industries such as the iron and steel industry and coal industry was encouraged.

The industrial revolution in Britain began in the 1760's with the cotton textile industry. In 1783, the textile industry accounted for 35.4 per cent of Britain's net industrial output value, whereas the iron and steel and machine manufacturing industries only accounted for 6.5 percent. Between 1750 and 1800, production of consumer goods industries grew 1.8 times, but the output of textile products grew 22 times. In France, the textile industry accounted for over 40 per cent of the industrial output value in 1848, while the iron and steel industry accounted for less than 10 percent. Such a state of affairs naturally prompted countries like Britain and France to begin their industrialization with light industry. Following the development of agriculture and light industry, heavy industry also gradually developed in these countries. In 1770, Britain's coal extraction volume was 6.2 million tons; in 1854, the figure rose to 64.5 million tons. Around the year 1750 the output of pig iron was between 12,000 and 17,000 tons; the figure rose to 68,000 tons in 1788 and then to 1.34 million tons in 1839. The development of heavy and light industries enhanced the position and role of industry in the national economy. The percentage of the net industrial output value in the national income was 36 percent in Britain in 1841, 24 percent in Germany in 1842, 26 percent in France in 1843 and 23.5 percent in the United States in 1869.

It can thus be seen that capitalist countries like Britain and France began their industrialization with light industry because of the state of the productive forces at that time and because of the demand to further develop these forces. It was quite logical and more or less conformed to the law of growth of the productive forces themselves. During the period of industrialization, the rate of industrial development was not slow at all in countries like Britain, France and the United States. From the beginning of the industrial revolution to the middle of the 19th century, the average annual industrial growth rate was 2.9 percent in Britain; between 1851 and 1873 it was 3.3 percent. Between 1870 and 1890, the average annual industrial growth rate was 2.1 percent in France; between 1891 and 1900 it was 2.6 percent. Between 1861 and 1890, the average annual industrial growth rate was over [figure indistinct] percent in the United States.

The law of growth of productive forces discussed above can also work in a socialist society. The reason is that many countries still face the task of industrialization in their socialist construction. In organizing and running economic activities, some socialist countries had successfully achieved notable

results by acting according to this law, but some which were overanxious for quick results had suffered serious losses because they went against this law. In the Soviet Union in the 1930's and in China in the 2 decades after 1958, the lopsided development of heavy industry without taking agriculture and light industry into account brought about disproportion growth and hindered the bettering of the people's livelihood to a fairly large extent. The smooth and unimpeded growth of the social productive forces was also affected. China in particular had suffered time and again. The most serious setback occurred during the 1958-1960 period. At that time, we transferred large numbers of farm workers and indiscriminately shifted the funds of communes and brigades in an effort to bring about a "great leap forward." We stressed the development of heavy industry which centered on iron and steel to the exclusion of everything else. Due to this serious disproportion, not only did heavy industry plummet after going up, but the entire national economy also sank into a state of crisis. Even now, we still have not quite finished tasting the bitter fruit of disproportion resulting from the lopsided development of heavy industry in the past two decades. The present readjustment is aimed at rectifying the mistake of blind and rash advance discussed above and bringing the national economy back to the correct orbit of proportionate and well-coordinated development.

Why did the Soviet Union and our country for such a long time both develop the industrial structure in the direction of heavy industry irrespective of objective conditions? There was a theoretical basis for this. According to this theory, it is the capitalist road of industrialization to begin the process with light industry; the socialist road is to begin the process with heavy industry. This theory cannot hold water. Its mistake lies in arbitrarily describing the question of whether to begin the process with light industry or heavy industry, which concerns the law of growth of productive forces, as a question pertaining to the law of growth of production relations. It is also wrong to assert that the road of industrialization is determined by the social character of the production relations when it is largely determined by the state of the productive forces and to call one the socialist road and the other the capitalist road as if they are mutually exclusive. Influenced by this theory, many socialist countries stressed the development of heavy industry and paid no attention to agriculture and light industry for a prolonged period of time.

Actually, any attempt to develop heavy industry which requires huge investments in isolation from agriculture and light industry invariably leads to the misuse of the price mechanism as a means of redistribution of the national income and the sacrifice of agricultural development. Look at the Soviet Union during the period of the first three five-year plans and China in the 2 decades after 1958. In order to concentrate forces on developing heavy industry, we both pressed agriculture and the peasants by fixing the price of farm products well below their true value. Because of this, the price scissors between industrial and agricultural products not only were not narrowed but were at times widened. Consequently, most or all of the surplus products created by the peasants went to the state. This made it impossible to carry out normal expanded reproduction or even to sustain simple reproduction in agriculture. (In the Soviet Union,

the price of agricultural and animal products voluntarily sold to the state in 1953 only equalled the expenses incurred in the delivery of these products, and the price of grain crops only equalled to 13.2 percent of their cost. That year, grain output was lower than in prerevolution 1913 some 40 years before.) The natural outcome is a disproportion between industry and agriculture, with the latter falling far short of the needs of national economic growth. This in turn holds back the development of industry and slows down the pace of economic development. Indeed, haste makes waste.

After summing up the experience and lessons in socialist construction in China over the last three decades, the 3d Plenary Session of the 11th CPC Central Committee correctly put forward the task of adjusting the relationships between various sectors of the national economy and eliminating the disproportions. In April 1979, the party Central Committee explicitly put forward the eight-character policy of "readjustment, restructuring, consolidation and improvement" and set out to restructure the industrial enterprises. However, because we had not thoroughly rid ourselves of the deep-rooted influence of "left" rash advance and overanxiety for quick results and had not properly understood the past mistake of laying undue stress on the development of heavy industry, we did not do too well in implementing the Central Committee's policy of readjustment in the first couple of years. In 1981, when production of heavy industry dropped (chiefly as a natural result of the adjustment of lopsided development), some people overestimated the seriousness of the problem and said that the national economy was withering. They suggested that we could bring heavy industry back to life by consciously working out a deficit budget and further expand capital construction. This showed that we were still not quite unanimous in our understanding of how to restructure the industrial enterprises truly in the light of objective law and must continue to study and discuss the issue in order to get things clear.

In my opinion, in a country like ours with a population of 1 billion people, 800 million of whom are peasants, if we want to fix our economic and social development strategy and restructure our industrial enterprises, it is particularly important that we properly act according to the objective law of growth of productive forces which accords top priority to agriculture, to be followed by light industry and heavy industry.

Practice proves that since peasants make up over 80 percent of the country's population, we must make it our primary task to arouse the enthusiasm of peasants, rely on this biggest sector of the laboring masses to develop the socialist economy and lay a solid foundation for the national economy. This means we must not drain the pond to get all the fish and take all the surplus labor away from the peasants as we did in the past (of course the peasants have the duty to provide the state with part of the funds necessary for carrying out construction, and one way of doing this is to offer their surplus labor and surplus products by paying agricultural tax and retaining the price differentials between industrial and agricultural products for a given period). Instead, we must see to it that the peasants can expand reproduction and gradually increase their income and raise their level of consumption as production grows. At the same time, we must vigorously develop light industry in

line with agricultural growth. Heavy industry is to be developed chiefly according to needs arising from the development of agriculture and light industry and the funds and markets they can provide. This is how we can act in accordance with the above-mentioned law of growth of productive forces which accords top priority to agriculture, to be followed by light industry and heavy industry, and truly bring the industrial structure onto the right track.

II. Take the Development of Agriculture as Our Primary Strategic Task

What is the primary strategic task in our present endeavor to develop the national economy? This is an important question in adjusting the relationships between various sectors of the national economy, deciding on the direction of development of our industrial structure and striving to bring about a fundamental turn for the better in our financial and economic situation.

It is true that our country has been developing its agriculture well since the 3d Plenary Session of the 11th CPC Central Committee. In 1978, gross agricultural output value registered a 9-percent increase over 1977. On this basis, a further 8.6-percent increase was attained in 1979. This rate of growth exceeded that of gross industrial output value. Grain output was 332.12 million tons, cotton output was 2.207 million tons and the output of oil-bearing crops was 6.435 million tons--all three were all-time records. In 1980 and 1981, many parts of our country were seriously hit by flood and drought. However, because we had followed the correct agricultural policy and, in particular, had universally introduced the system of responsibility in agricultural production, we were able to arouse the enthusiasm of the vast number of cadres and commune members for production, minimize the effect of natural disasters on agricultural production and raise our capacity for self-salvation through production. In 1980 most places continued to reap a fairly good harvest, although Hubei, Hebei and a few other places registered a substantial drop in grain output. Gross agricultural output value calculated according to the 1970 fixed price was 162.7 billion yuan, an increase of 2.7 percent over 1979. Grain output was 320.56 million tons, a drop of nearly 12 million tons compared with the previous year, but still exceeded that of 1978 by nearly 16 million tons. Substantial increases were registered in the output of many industrial crops. Cotton output went up by 22.7 percent over last year to 2.707 million tons. The output of oil-bearing crops went up by 19.5 percent to 7.691 million tons. The output of pork, beef and mutton went up by 13.5 percent to 12.055 million tons. In 1981, the situation in our country's agriculture continued to be fine. Gross agricultural output value calculated according to the 1970 fixed price was 171.97 billion yuan. Cotton output further went up to 2.968 million tons, an increase of 9.6 percent over last year. The output of oil-bearing crops went up 23.7 percent to 10.205 million tons. The output of sugar crops (sugar cane) went up by 30 percent. New achievements were also made in forestry, animal husbandry and fishery. Commune and brigade-run enterprises continued to grow and commune members' household sideline production developed even faster. The situation in agriculture

quickly made a turn for the better. This is the most important manifestation and indication of our country's fast improving economy since the 3d Plenary Session of the 11th CPC Central Committee.

At the same time, we must be aware of another aspect. Since our country's agriculture was originally quite backward and great damage was done by the "gang of four" during the "Great Cultural Revolution," the achievements made in agricultural production in the last few years were in a way just meant for recovering lost territory. We are still unable to completely lift ourselves out of the situation in which agricultural production falls short of the needs of national economic growth. As for meeting the standard in agricultural production, (some comrades held that in the light of our national condition, we can take a per capita grain output of 1,000 catties as the primary indication of "meeting the standard"), there is still a long way to go. Our present per capita grain output barely exceeds 600 catties. In order to let the peasants rest and build up strength and to appropriately enlarge the sown acreage of industrial crops, we still have to import more than 10 million tons of grain each year. Despite the fact that we have achieved substantial increases in grain output and imported a considerable amount of grain in recent years, the level of grain consumption among peasants is still not high.

Moreover, because agricultural labor productivity is low, the commodity rate of agricultural products is also low. For years, the net commodity rate of grain has remained at a level around 15 percent. If we want to further develop animal husbandry, the production of industrial crops and so on, we also need a marked growth in grain production as the foundation. The commodity rate for agriculture as a whole is also not very high. In the 1970's, purchases by the commercial departments only accounted for one-third of the gross value of agricultural products. In 1981, the commodity rate of agricultural and sideline products was 40 percent. In 1978, each member of our country's agricultural population could only furnish 70 yuan's worth of agricultural commodities. Even after the upward adjustment of the purchase price for agricultural products in 1979, each member of the agricultural population was only able to furnish agricultural commodities worth 88 yuan (1979), 103 yuan (1980) and 116 yuan (1981). This backward state has always restrained the development of China's industry and the entire national economy.

If we compare China's agricultural development with the world average and with a number of countries, we can see more clearly that China's agriculture is still in a fairly backward state. The figures are tabulated below: (data on foreign countries is rearranged on the basis of the statistical monthly, production yearbook, trade yearbook and so on published by the UN Agriculture and Food Organization; figures on China have not taken Taiwan Province into account; grain output is calculated according to the Chinese statistical specifications, including the conversion of cereal crops, soya bean, miscellaneous beans and potatoes into grain).

Per Capita Output of Agricultural and Animal Products (1980)

unit: catty

Particulars	Grain	Plant Oil	Meats	Aquatic products	Eggs	Milk	Edible sugar	Fruit
(1)								
World average	815	11.7	65	34.0	12	193	39	107 (3)
China	656	5.5	24.7	9.2	5.6 (2)	2.3	5.9	9
India	459	8.2	2.5	7	0.3	29	12	8
United States	2,905	63.0	240	32	37	521	46	541
Yugoslavia	1,445	10.0	129	5	20	382	73	137
USSR	1,555	14.5	113	68	29	677	57	99
Australia	2,306	11.3	370	18	26	776	449	

1. 1978 figure

2. Estimated figure

3. 1979 figure

Since our country is agriculturally backward, the living standard of the peasants is still very low. Moreover, the cultural level is also very low in the rural areas. There was even an abnormal rise in illiteracy after the "Great Cultural Revolution." Even in provinces like Zhejiang and Anhui, the percentages of illiterates among able-bodied young peasants is quite high in some counties.

It can thus be seen that the adjustment of proportions between agriculture, light industry and heavy industry and the speeding up of agricultural development remain our most important endeavors in eliminating the disproportions in the national economy at present and in the next few years. The primary strategic task in developing our national economy is still to energetically speed up the development of agricultural production. We must not treat the question of agriculture lightly just because we have made substantial progress in this regard in recent years. We should see that development of agriculture is a strenuous task. It cannot grow at a high speed. An annual growth rate of 4 to 5 percent is quite high. If the factor of China's population growth is taken into consideration, it will take a long time and a lot of hard work to achieve a more substantial increase in per capita farm output. Only when agriculture is developing in a notable way and at a faster speed can we lay a solid foundation for the development of the entire national economy and create the necessary conditions for the rapid development of the socialist economy in the next few decades.

At this stage, the strength of our country lies in agriculture. The development of agriculture conditions the rate of growth of the means of consumption, foreign exchange earnings and the country's financial resources. It also conditions the rate of growth of industry and the urban population. At present, the development of agriculture is conditioning the development of industry and the scale of national construction. This is still a kind of objective and

strategic conditioning. If the scale of industry and other types of construction goes beyond the limits of our agricultural capabilities, we will encounter all kinds of contradictions and eventually have to make curtailments.

In order to speed up the development of agriculture, we must first attach importance to it ideologically. Then we must have concrete measures. This covers many aspects and it is difficult to discuss them one by one. What we must do first is to formulate a correct strategy for agricultural development. The most important function of this strategy is to fully and rationally utilize our country's resources, particularly land and human resources. In land utilization, it is necessary to truly bring the strong points of various localities into full play so as to achieve optimum results. As for human resources, we must not pessimistically regard a huge population as a burden. As long as they are well organized, these people can further the march toward nature in depth and breadth and create ever increasing material wealth. The key lies in whether these people are well led and organized. At the same time, we must continuously raise the scientific and technical level of agricultural production according to local conditions.

In order to speed up the development of agriculture, we must rationally organize the various key factors of the productive forces, such as developing diversified undertakings while maintaining a firm grasp of agricultural production in crop distribution, and institute a rational economic system for agriculture. In addition, we must also solve problems relating to the relation of production and the superstructure, such as further improving the system of responsibility in agricultural production, improving the economic management system, ensuring investment in agriculture and making continuous efforts to narrow the price scissors between industrial and agricultural products on the basis of developing production and increasing state revenue.

III. The Policy of Giving Prominence to the Development of Consumer Goods Industries Is Completely Correct

In his report on the work of the government delivered at the Fourth Session of the Fifth NPC, Premier Zhao Ziyang put forward 10 guidelines for future economic construction. The first guideline is to accelerate the development of agriculture by relying on correct policies and on science. The second is to give prominence to the development of consumer goods industries and further adjust the service orientation of heavy industry. These guidelines are very correct and they conform completely to the law of growth of productive forces and to our national condition.

It is clearly obvious that if we take the development of agriculture as the primary strategic task of economic development, the natural logical conclusion is that we must give prominence to the development of consumer goods industries for a considerably long period to come. This is an important measure for rationally restructuring China's industrial enterprises and changing the tendency of one-sided emphasis on the development of heavy industry.

The development of agricultural production is bound to give impetus to the development of consumer goods industries (mainly light industry). This is something independent of man's will. When it is developed, agriculture will be able to provide more and more raw materials for light industry. Meanwhile, because the workers and peasants are earning more, they will also want to buy more industrial consumer goods. As people's level of income rises, the percentage taken up by food in the composition of daily consumption will drop. However, the percentage taken up by daily necessities and clothings will increase, which means that there will be an increase in the demand for industrial consumer goods. It is reckoned that if agricultural production is to grow at an average rate of 4 percent during the period of the "Sixth Five-Year Plan," the consumer goods industries must grow at an average rate of 8 percent in order to make good the mercantile part of agricultural products and increase the cash purchasing power of the workers and peasants. At the same time, light industry as the main body of consumer goods industries requires a small investment but can yield good returns and fast results. According to 1978 statistics, for every 100 yuan in capital, light industry can yield 54 yuan in tax and profits in 1 year. This is three times as much as the 18 yuan made by heavy industry. In order to increase state revenue and bring about a fundamental turn for the better in the financial and economic situation, we must also energetically develop light industry.

Giving prominence to the development of consumer goods industries for some time to come is an important measure for improving China's industrial enterprises in the light of the law of growth of productive forces. In the past, the structure of China's industrial enterprises was abnormal and irrational. An important indication of this was that in terms of gross output value, the pace of development did not seem to be slow and was in fact faster than many developed capitalist countries, but the rate of growth of per capita national income was fairly slow, and the rate of improvement of the people's living standards was even slower. Even today, China's national income still ranks below 100 among nations of the world. This shows that if we arbitrarily and one-sidedly develop heavy industry regardless of the law of growth of productive forces and the country's condition we are bound to turn out a lot of intermediate products. For various reasons, many of these intermediate products are wasted in the course of reproduction, thus reducing the quantity of final products. In this way, we can hardly give the people any actual benefits or raise their living standards. This will seriously undermine our efforts to fully bring into play the superiority of the socialist system.

After summing up past experience in China and in other countries, we have painfully discovered that the road of economic development we took was one which would lead to great waste, poor efficiency and a low level of consumption. In future, we must truly proceed from China's actual condition and take a new road which is more realistic as far as the rate of development goes and which will yield better economic results and give the people more actual benefits. In the arrangement of the structure of industrial enterprises, we must conscientiously implement the 10 guidelines for economic construction put forward by Premier Zhao Ziyang, particularly the first two. In other words, we must first speed

up the development of agriculture and give prominence to the development of consumer goods industries at the same time. In so doing, we can, with the development of the national economy, provide the people with more and more final products for consumption purposes and enable everyone to benefit economically. This will arouse people's enthusiasm for production and promote the development of the economy. Only in this way can we fundamentally reverse the situation marked by a high rate of accumulation, a decline in the effect of accumulation and increasing shortages in the people's livelihood needs over the years. This helps to properly resolve the contradiction between accumulation and consumption.

In the final analysis, the improvement of the structure of industrial enterprises discussed above is also an important prerequisite for making the structure of China's industrial enterprises develop in a direction which conforms to the aim of socialist production. In 1962, Comrade Chen Yun pointed out: We are now facing the problem of how to consolidate and develop the fruits of revolution. The key lies in making adequate arrangements for the daily life of the 600 million plus people and truly working for their welfare. At present, we are faced with a similar problem. In order to consolidate and develop the achievements made in readjustment and restructuring since the third plenary session, we must develop the production of consumer goods in order to meet the people's daily needs and the needs of economic construction.

Here, we can see that under socialist conditions, it is fully in keeping with the aim of socialist production and the requirement of the law of socialist economic development to arrange the structure of industrial enterprises in the light of the law of growth of productive forces. The reason is: The rapid and sustained development of socialist production and the raising of social productivity is the requirement of the aim of socialist production. It is also the requirement of the objective economic law of socialism.

People may ask: According to this view, what are we going to do with heavy industry which was greatly developed?

First, we must not be skeptical about the policy of first speeding up the development of agriculture and giving prominence to the development of consumer goods industries and even set the development of heavy industry against that of agriculture and light industry just because readjustments over the past 2 years slowed down the rate of growth of heavy industry, and that there was even a slight decline in production in 1981, particularly in the machine building industry. In the past, agriculture, light industry and heavy industry. In those days, heavy industry, particularly the machine building industry, mainly served capital construction and the building of new projects. Today, we must eliminate the disproportions and bring about harmony between various sectors of the national economy. With the exception of the energy industry, transport and other weak links which must be greatly strengthened, the rate of development of heavy industry as a whole will be slowed down. The total output volume of heavy industry will also drop for a short time. This is to be expected. Readjustment involves curtailment and augmentation. Those which require curtailment must be

sufficiently certain. We must give up something in order to achieve something. If we do not slow down the rate of development of heavy industry in the next few years, or if we do not temporarily cut down the production of heavy industry, particularly the machine building industry, we will not be able to achieve a rapid rate of growth in the production of consumer goods. Of course, had we done a better job, last year's decline in heavy industry could have been smaller or even avoided altogether. However, it is unrealistic to try to maintain a relatively high rate of development as some people want. It is actually the same as to negate the necessity of readjustment.

Our country has witnessed a rapid growth in the production of consumer goods in recent years. Take the light and textile industries for instance. In 1979, gross output value was 9.6 percent higher than in 1978; in 1980, it was 18.4 percent higher than in 1979; and in 1981, it was 14.1 percent higher than in 1980. However, we should see that the growth in the supply of consumer goods still fail to catch up with the growth in the community's purchasing power. Therefore, we must give prominence to the development of consumer goods industries in the future and make the rate of development of light industry surpass that of heavy industry. This is by no means a measure of expediency. It is a policy which must be implemented within a certain period.

In the long run, faster growth in the production of consumer goods not only will not hinder the development of heavy industry but will promote it. The growth of the former set more and higher demands on the latter. In particular, it will demand more advanced technical equipment and raw and processed materials from heavy industry. We must now radically change the long-standing tendency of one-sided emphasis on the development of heavy industry. Apart from producing certain durable consumer goods, in its future development our heavy industry must attend to the more important task of readjusting its orientation, enlarging its scope, raising the quality of its services and improving its adaptability, so that it can give better service to agriculture and the consumer goods industries, the technical transformation of the national economy, exports and the modernization of our national defense. Heavy industry is now faced with the task of readjusting its internal structure and orientation in keeping with the growth of productive forces. The better this task is tackled, the brighter will be the prospects of heavy industry.

May 1982

CSO: 4006/191

NATIONAL POLICY AND ISSUES

REPORT ON SCIENCE IN CIVILIAN USE

HK180318 Beijing JINGJI YANJIU in Chinese No 11, 20 Nov 82 pp 44-47

[Article by Ye Zitong [0673 1311 1749] of the research office of the Ministry of Ordnance Industry: "On the Shifting of Science and Technology From Military to Civilian Uses"]

[Text] In a modern society, the development of science and technology is closely linked with that of the economy. The development of the national economy must rely on science and technology, and science and technology must serve the development of the national economy. History has irrefutably proved that the development of social productive forces and the growth of social wealth are determined, to a large extent, by the level of science and technology and by the achievements of the materialization of knowledge. Therefore, to carry out our economic construction by taking a new road so that we can maintain a practical speed and achieve good economic results and so that the people can have more material benefits, we must place the popularization and utilization of modern science and technology in production in an important position. Doing a good job in shifting science and technology from military to civilian uses is an important aspect that must not be overlooked. It is a fundamental and long-term principle for our work.

Due to the special needs of war and in order to increase their military strength and win the initiative in war, many advanced industrial countries in the world have carried out, at all costs, research on the military use of science and technology. As soon as they make a breakthrough in the research of basic theory, they use the results of advanced science and technology in the military industry. Therefore, modern military industry (which includes the aviation industry, electronics industry, warship building industry, arms industry, missile industry and atomic energy industry) is a technologically concentrated industry. It has great superiority and potentials in science and technology. Shifting science and technology from military to civilian uses and changing them into the productive forces of the whole society to promote the development of the national economy and science and technology are important methods adopted by many countries in achieving technological and economic progress. For example, in the early 1970's, to get rid of economic difficulties, the United States

mobilized several hundred scientists to study how to realize the shifting of science and technology from military use. The NASA of the United States has set up a "department for the use of technology," which is responsible for initiating "various ways and methods which can enable various technological results produced by the space program to play their role in the civil economy." It has worked out a "plan for technological shifting," which has enabled the results of many of the most advanced branches of technology to be used in the civil economy. In this way, marked technological and economic results have been achieved. The shifting of science and technology from military to civilian uses is an objective tendency, which not only suits the needs of economic development, but also conforms to the characteristics of the development of modern science and technology. As productive forces, science and technology always break away from man-made trammels, permeate into each other and promote each other in all spheres in which they can play their role. Especially when the period from invention to practical application of modern science and technology is becoming shorter and shorter, it is impossible to confine advanced and suitable technology within a certain sphere. Therefore, there is no impassable gap between military science and technology and civil science and technology. This has become understood by more and more people.

Through a long period of construction, our country's military industry has a certain foundation and scale. In comparison with civil industrial departments, it has a certain superiority in scientific and technological fields:

1. It has a contingent of qualified scientific and technological personnel who are in the prime of life. In the first 5-year plan period, the state transferred and centralized for the military industry a large number of scientific and technological personnel who had high political consciousness and good skills. Subsequently, in the distribution of graduates from institutes of higher learning over all previous years, priority was given to military industrial departments. Besides, a number of institutes of higher learning were run to train personnel for the military industry. The percentage of scientific and technological personnel of military industrial departments in all employed scientific and technological personnel is three times the average level of the whole country.
2. It has advanced and complete instruments and meters and various equipment. Since the founding of the PRC, every year the state has allocated a large fund for investments in capital construction and scientific research, for expenses for technological measures, for building military industrial institutions of scientific research and design, for perfecting test and research methods and for supplementing and renewing technological equipment. Use the arms industry as an example. The number of various metalcutting equipment and forging equipment it possesses ranks second in the machinery trade throughout the country. Of the above equipment, the number of large-sized precision equipment and numerical controlled equipment far exceeds the average level of the machinery trade throughout the country. In addition, it can carry out machining or processing ranging from heavy machinery to precision instruments and meters and from electron optical instruments to chemical products. It has comparatively complete sets of equipment, which can be adapted to various requirements.

3. It has a certain level of scientific and technological achievements. In the late 1950's, from duplicating things foreign, the research work of China's military industry began to enter the stage of self-manufacturing. Our country has successfully manufactured advanced weapons like nuclear weapons and inter-continental guided missiles and regular weapons like large warships, tanks, cannons, rockets, anti-tank missiles, firearms and radar; furthermore, in the research and creation of new skills, new technology and new materials, it has also overcome many technological difficulties and achieved many technological results, some of which have never been created before in China, and some of which have reached or are near to advanced world levels.

This phenomenon shows that, in technology, our country's military industrial departments have sufficient conditions to become important bases for developing our country's new technology and raising the scientific and technological level of the whole society.

However, in the past, due to the separation of management between the military and civil industries, the production structure of military products of our country's military industry has been unitary. It has formed its own system and is separated from the civil industry. Furthermore, because military industrial departments are restricted by some irrational security regulations and due to some problems in economic policies, the shifting of technology from military to civilian uses lags far behind the requirements of the national economic development, both in width and depth. New skills, new technology and new materials which could have been shifted have been confined only to military industrial departments. They have not been popularized to civil industrial departments in a timely manner, and this has resulted in duplicate research and manufacturing, duplicate imports and duplicate construction. It has been a waste of investment and time. This phenomenon is neither beneficial to the military industry nor to the civil industry, and affects economic construction.

Since the 3d Plenary Session of the 11th CPC Central Committee, in the readjustment of the national economy, our military industrial departments have implemented the principle of "combining the military industry with the civil industry, combining the requirements for peace time with those for war time, giving priority to military products and carrying out civil industrial production to support the military industry." Under the prerequisite of guaranteeing the needs of war preparations, they have changed the unitary production structure, readjusted the direction of service, brought technological superiority into full play and energetically organized and developed the production of civil industrial products. Many military industrial enterprises have carried out the production of civil airplanes and ships, as well as daily-use mechanical and electrical products needed for the people's livelihood such as motorcycles, bicycles, sewing machines, wooden-case clocks, cameras, radios, recorders, television sets, household electrical appliances and steel window frames. Some cheap but good products have found their way into the international market. According to the statistics of the Ministry of Ordnance Industry, the production of civil industrial products has embraced over 300 articles belonging to the 20 classes of the two great categories which include the means of livelihood and the means

of production. In 1957 the output value of civil industrial products accounted for over 20 percent of the total output value. In addition, military industrial departments have shifted some advanced and mature military technology to the light industry, the textile industry, the energy industry and agriculture departments as well as to medical departments. They have energetically served various departments of the national economy and have achieved preliminary results. In our actual work, there are several main forms of combining the military industry with the civil industry and of shifting technology:

1. The form of refitting or improving military industrial products for civilian use. Many military industrial products such as theodolites, telescopes or binoculars, nitrocotton, activated carbon, TNT explosives and detonating fuses have been commonly used in both the military and civilian fields. With a little refitting, some military industrial products can be shifted to civilian use. For example, an optical instrument factory in Jiangsu Province has introduced military accessories into the manufacturing of six kinds of optical accessories used for the spherical surface of proctoscopes and into the manufacturing of 70 percent of the optical accessories of microscopes for ear operations.

2. The form of directly shifting technology from military to civilian uses. For instance, a design office in Shanghai designed tray-type vertical conveyors for the Shanghai Taikang Food Factory. This has replaced slides on which biscuits are easily crushed when conveyed. In this way, waste is reduced and space is used more sparingly. An optical sighting device factory in Shaanxi Province has successfully manufactured photographic typesetting printers by applying focus-changing technology. It has changed the structure of Japanese photographic typesetters in which 24 fixed lenses are used, and realized no great innovation in printing technology. A factory in Sichuan Province has manufactured artificial precipitation bombs by applying the designing principles of rocket bombs. This has provided a means for agriculture in overcoming drought. Under certain conditions, it can reduce the costs for anti-drought work by using diesel pumping engines. The peasants like this method very much.

3. The form of undertaking design tasks for civil industrial units and of manufacturing urgently needed advanced equipment for the civil industry by applying military technology. For instance, a design office in Jiangsu Province has designed dust removing devices for the Shanghai Yangpu Power Plant. The dust removing [words indistinct] as 95 percent. After the [words indistinct] 160 tons of material for special-grade cement can be recovered every day. A factory in Sichuan has trial-produced 358 adjuster machines in 74 kinds for 16 trades such as the tobacco trade, tea leaf trade, plastic trade, leather trade, rubber trade, paper manufacturing trade and household electrical appliance trade. Of these machines, remote infrared curing machines in the tea leaf trade, prevulvaopposition machines for retread tires in the rubber trade, compound machines for wide plastic films in the soft packing trade and machines for regenerating tobacco leaves in the tobacco trade have been made for the first time in our country. Since the utilization of such machines, the output and output value of the civil industry has increased by a large margin. For instance, the utilization of a filter tip fitting machine can increase the annual output value by 500,000-600,000 yuan. The operation of a production line for regenerated tobacco leaves can recover 150 tons of tobacco ends annually, which can be made [word indistinct] 300,000 medium-grade cigarettes. A net profit of over 6,000 yuan can be obtained.

4. The form of utilizing imported technological equipment which has been digested and absorbed by the military technological strength. By referring to Japanese equipment for making steam irons, a military engineering factory in Shanghai, which is good at plating, welding, casting, and heat and surface processing, and has designed and manufactured steam irons for the Shanghai No 14 Knitting Factory. These steam irons have stable functions and excellent quality, and are well received by the factory. By referring to a five-color printing machine imported from Japan, a factory in Beijing has introduced a brand new and unique structure with regard to key designing such as synchronous control, intensified control, folding and unfolding system, automatic gluing and middle-drying. It has successfully manufactured China's first unit-type intanglio press for five-color plastic films. The technology and functions of this press has reached the advanced world level.

5. The form of transferring personnel to do part-time work and to carry out temporary cooperation. For example, the Shanghai aviation system has transferred over 130 engineering and technological personnel to support civil industrial departments. A military engineering factory in Shanghai sent six technological personnel to help the Shanghai No 21 Weaving Factory with the innovations of its weaving equipment. It took only a year to finish "crank axle fixed driving devices for looms" and "clearance cotton absorbing devices for carding machines."

6. The form of utilizing redundant labor force and idle equipment to produce ordinary civil products. For example, enterprises affiliated to the Ministry of Ordnance Industry have established over 160 production lines for producing more than 90 kinds of civil products such as bicycles, motorcycles, electric fans, washing machines, electric meters and wooden-case clocks. The number of enterprises which have more than two kinds of "fist" civil products accounts for 54 percent of the total number of ordinance industry.

Preliminary practice has proved that the shifting of technology from military to civilian uses has great potentials and that its sphere is large and prospective. It has raised the technological level, quality and output of many civil products, and reduced their production costs and competitive capabilities in the market. It has great technological and economic values. Furthermore, it is beneficial to military industrial departments themselves. Through the shifting of technology from military to civilian uses we have not only increased economic results, but also strengthened the relationship between military and civilian industrial departments, and learned much about civil technology. In short, so long as we do a good job in this respect, we will be able to bring forward the development of science and technology as well as of the national economy.

We should say that over the past years there has been a new development in the shifting of technology from military to civilian uses. But it is only the beginning. Many units have carried out the shifting because they do not have sufficient tasks or because their funds and income have dropped, and due to the lack of unified leadership, there is serious blindness in their work. Viewed from the present situation, it is imperative to devote our efforts to the study and settlement of the following problems:

1. We must know well the stress of the shifting of technology from military to civilian uses, and work at a practical plan. As an overall machine-building industrial department, besides guaranteeing the needs for war preparations and making appropriate reserves, the military industry must also bring into full play its own technological superiority, energetically help carry out technical innovations for the national economy, help the people improve their livelihood and help expand exports. Therefore, to further implement the principle of combining military and civil industries, on the one hand, we must fully utilize our scientific and technological results and advanced technology, energetically develop new civil products and speed up the renewal of civil products; on the other hand, with regard to scientific subjects or items which are being studied or which will be studied, we must do our best to shift them into civilian use. Viewed from the present situation, in order to readjust the imbalance of production of military industrial enterprises between peace and war-time periods and to increase production and income, it is necessary for military industrial enterprises to organize the production of urgently needed products which are in short supply and the production of high-grade products by utilizing redundant labor force and idle workshops and equipment. But it is not advisable "to pick up anything for one's food" just because "one does not have enough food to eat," or even to abandon military production for the purpose of carrying out civil production, or to adopt an expedient method of carrying out the production of ordinary civil products. Because it is not a superior feature of the military industry, if we carry out its production in batches and establish a production line for it, a large investment will be needed. Moreover, in a state of emergency, it will not be beneficial to the mobilization of military industrial production. As a result, it will "compete with the civil industry for raw materials," and it may possibly fail in the competition with specialized factories which produce civil products in respect to production cost and technology. If things go on this way, the original advanced technology will lie in waste and our knowledge will lag behind practice. Therefore, we should gradually shift our main efforts of implementing the principle of combining military and civil industrial production from organizing the production of ordinary civil products into the shifting of technology from military to civilian uses. I think that combining military industrial production with civil industrial production is not an expedient method but a long-term strategic principle. Its strategic significance is that it can realize the shifting of technology from military to civilian uses, raise by a large margin the scientific and technological level of the whole society and promote the development of the national economy and the raising of economic results. In order to suit the change of the development of the national economy from the main form of "extension" to that of "intension," the stress of the shifting of technology from military to civilian uses should be laid on the various departments of the national economy, especially on serving the technical innovations in the light industry, textile industry, energy industry, communications and forestry departments. In addition, on the basis of study and investigation, we should work out a plan for the shifting of technology to strengthen our planning and guidance. We should give priority to the exchanges of technology in the departments which basically have the necessary conditions, which do not require large investment or more equipment and where technology is easy to popularize and apply, so that we can achieve early results in the

shifting of technology. We should make technological and economic expositions of difficult technological projects which involve a wide range of knowledge and require large funds, and bring these projects into the state plan.

2. We should formulate rational economic policies and implement the principle of transferring scientific and technological results with compensation. In order to promote the shifting of technology from military to civilian uses, besides bringing actual economic benefits to civil units, we must, in respect to economic policies and measures, study the problem of proprietary rights to scientific and technological results which are transferred to civil industrial departments by military industrial departments, as well as the problem of compensation for such a transfer, study the problem of funds for designing and manufacturing products and equipment for civil industrial departments, study the problem of prices of products and equipment and study the problem of examining and rewarding military industrial departments in serving civil industrial departments so as to bring into play the initiative of military industrial departments in shifting their technology to civil industrial departments. For example, we should implement the policy of transferring scientific and technological results with compensation and promote various forms of technological exchanges and shifting, or directly transfer technology by signing contracts; commit ourselves to a trust and provide technology, advice and service; or mutually manufacturing, carry out production and run enterprises. This is beneficial not only to bringing into play the initiative of military industrial units, but also to arousing the attention of recipient units and to promoting the change of scientific and technological results into a productive force. Let us look at another example. An appropriate proportion of the income from the shifting of technology should be retained by military industrial departments themselves for substantiating the conditions for research and manufacturing, for improving the collective welfare of staff and workers and for rewarding staff and workers.

3. We should strengthen the exchanges of scientific and technological information. The collection, utilization and exchanges of scientific and technological information are a weak link in our country's scientific and technological work. The case is even more serious with military industrial departments due to security problems. It is obviously wrong to abolish security restrictions, but anything which is to be kept secret is relevant to time and place. It must not be dealt with indiscriminately. On the contrary, we must deal with each case on its merits. I think that military scientific and technological results can be exchanged within a certain sphere under appropriate measures, so long as the security of the state is not affected. To strengthen the exchanges of scientific and technological information, we can use various forms such as organizing the exchanges of talented personnel, exchanging technological personnel for a short period of time, strengthening the exchanges and management of scientific and technological information, establishing and perfecting vocational technological information centers, further bringing into play the role of vocational institutes, strengthening the publication of academic and information magazines and holding exhibitions and fairs of scientific and technological results.

4. We should strengthen our organizations and leadership. In many regions and departments, the shifting of technology from military to civilian uses has just started. Experience is not sufficient in this respect. In addition, the shifting of military technology to various departments and units and the application of military technology to the civil industry touch upon every system and enterprise. There are many complicated problems of organizations and management and of technology. Therefore, the state must set up special institutions to be responsible for organizing, coordinating and managing this work according to vocational specialties. It must strengthen the relationship between military and civil industrial departments so as to coordinate with each other, help and benefit each other, raise the speed and results of the shifting of military technology and make contributions to the development of the national economy.

CSO: 4006/191

NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON DETERMINING BONUS RATE

HK281528 Beijing JINGJI YANJIU in Chinese No 11, 20 Nov 82 pp 77-78

[Article by Wu Xianzhong [0702 6343 1813] of the Department of Political Education of Huadong College of Education: "Some Suggestions on Determining the Bonus Rate"--footnote: "In this article, bonus refers to the part of a bonus received by individual workers and employees, leaving out the portion retained for an enterprise's collective welfare."]

[Text] A bonus is remuneration for the part of labor which is provided to society by workers and employees and exceeds their work norms and as such, a bonus is an indispensable supplement to hourly wages. Hourly wages merely reflect the relationship between remuneration for labor on the one hand and working hours and labor skill levels on the other hand. The level of labor skill can be steadily raised and labor intensity may also change. This will result in a constant change in the amount of labor that workers and employees spend in a given length of time. But it is not feasible to make frequent revisions of hourly wage grades. For the period during which the grades remain relatively stable, hourly wages are worked out on the assumption that the amount of labor spent in a given length of time will remain unchanged throughout the period. Hourly wages cannot reflect the amount of labor which exceeds the standard amount of labor spent in a given length of time, namely the part of labor in excess of work norms. Bonuses provide the very remedy for this deficiency of hourly wages. A bonus is remuneration to workers and employees for their meritorious provision of above-average work labor as well as an incentive to provide above-average work labor on the part of workers and employees. If we envisage bonuses in light of their nature and functions mentioned above, their amount should be proportional to the amount of labor which is provided by workers and employees exceeds their work norms. In economic activities, too small a bonus will become an effective incentive to production, while too large bonus will give rise to taut supply on the consumer goods market and even lead to price fluctuations. Therefore, the problem of controlling bonuses at the macroeconomic level must be solid if the principle of "to each according to his work" is to be implemented correctly and if a bonus is to be brought into full play as an incentive to developing production.

There are two ways to control bonuses at the macroeconomic level. We may control its absolute amount or its relative amount. Controlling the absolute amount means to control the total amount of the bonus, such as setting a ceiling on the basis of the average wage over several months. This method is comparatively simple and is convenient for controlling the total amount of the bonus; but it has the inherent deficiency of "cutting the gordian knot" and tends to lead to egalitarianism. So, this method of controlling bonuses often results in a situation where the expected economic results are not obtained although the bonus has been paid.

Controlling the relative amount of a bonus at the macroeconomic level means to control the ratio between the amount of the bonus and the above-average labor provided by workers and employees as well as to control the ratio between the amount of the bonus for which there is a secure supply of consumer goods and the above-average work labor provided by workers and employees.

In monetary terms, the above-average work labor provided by workers and employees means the part of profit which exceeds the planned target. The ratio between the amount of the bonus and the above target profit is the bonus rate. The bonus rate ceiling should not be 100 percent. The reason is that according to the socialist principle of "to each according to his work," when a member of society has provided labor to society, society should retain a certain percentage of the labor to meet its public and development needs, regarding this as a civic duty of every ablebodied citizen. In general, (that is, not considering the amount of labor in excess of work norms) the ratio of personal income (X) means the ratio between the share allotted to an individual worker and the amount of labor that he has provided to society. " X " equals " V " divided by " V plus M " multiplied by "100 percent." The share retained by the society is 1 minus X .

X should be the bonus rate ceiling, for workers and employees ought to fulfill the same duty towards the society while providing above-average work labor. "Bonus ceiling" equals "above target profit" multiplied by " X ." V represents basic wages for workers and employees, which are intended by the state to ensure that their necessities for living are met. Since bonus is an income in addition to basic wages, a reasonable bonus rate should in general be smaller than X .

The above discussion concerns how to control the value of the bonus rate. To control the volume of goods in connection with the bonus rate means to achieve a correlative increase in the amount of the bonus and in the supply of consumer goods. A bonus is a component part of the fund for workers' and employees' own consumption and needs consumer goods as its underlying counterpart. If the amount of bonus exceeds the value of its underlying means of consumption, this will of necessity lead to shortages in consumer goods, price increases and thus adversely affect steady economic development. That is why the total amount of a bonus distributed by society in a year should correspond to the value of the means of consumption produced by the above-average work labor in that year. The amount of a bonus which corresponds with the value of these means of consumption is called a secure bonus amount. The ratio between the secure bonus amount and the above target profit is called secure bonus rate (XN).

"XN" equals "secure bonus amount" divided by "above target profit" multiplied by "100 percent," which equals "value of the means of consumption in excess of planned production" divided by "above target profit" multiplied by "100 percent."

Bonus is a fund for personal consumption. But a bonus will not be used up for personal consumption in the year of its distribution and a part of it will be saved. While spending money, workers and employees usually do not make a distinction between the income from a bonus from the income from wages. Therefore, the rate of savings is the ratio between the new additional savings made by workers and employees in a year and the total amount of wages plus the total amount of bonuses paid in that year. "Y" equals "workers'/employees' net additional savings in a year" divided by "total amount of wages in a year plus total amount of bonuses in a year" multiplied by "100 percent."

(1-Y) is called the rate of consumption in respect to the income of workers and employees. If "Y" equals "10 percent," then "1-Y" equals "90 percent." That means, out of every additional income of 100 yuan, 10 yuan will be saved while 90 yuan will be spent by workers and employees. Thus we have arrived at an important conclusion: 90 yuan worth of the means of consumption is sufficient to secure the supply of goods for an income of 100 yuan received by workers and employees. So, XN should be revised accordingly: "XN" equals "value of the means of consumption in excess of planned production" divided by "above target profit (1-Y)" multiplied by "100 percent."

In short, at the macroeconomical level, the bonus rate should be maintained within the limits of X and XN. In concrete terms, the ceiling of this bonus rate should be X or XN, whichever is less.

X and XN are the upper limit of the bonus rate. Does the bonus rate have a lower limit? Does the bonus rate have a bottom? The problem concerning the bonus rate's bottom is in fact how big the difference between the actual bonus rate and X or XN should be. The bonus rate should not be greater than X, but the difference between them should not be too big either. If the difference is too big, the amount of bonus will be very small. As a result, the bonus can neither reflect the principle of "to each according to his work," nor be used as an incentive to developing production. Likewise, the bonus rate should not be greater than XN, but it should not be excessively smaller than XN either. If the difference between them is too big, there will be no demand for a large number of consumer goods. This also has harmful consequences.

CSO: 4006/191

NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON LENIN'S ECONOMIC THINKING

HK230131 Beijing JINGJI YANJIU in Chinese No 11, 20 Nov 82 pp 24-30

[Article by Ding Pingzhen [0002 1627 0402] and Yang Jiliang [2799 4949 5328]: "An Inquiry Into Lenin's Thinking on Economic Accounting"]

[Text] Sixty years have passed since Lenin, in 1921, raised the question of economic accounting. Over these 60 years, people have continued to probe into this question both in theory and in practice.

Due to various historical reasons, subsequently people have greatly misunderstood and misinterpreted Lenin's thinking on economic accounting. They have even gone as far as to fabricate a "theoretical system" of economic accounting, falsely attributing it to Lenin and declaring that it was Lenin's creation. In this way, as a result of the influence of old habits and long-standing practices, no more controversy was heard and the matter seemed to have reached a definite conclusion. In our opinion it is now absolutely necessary, even though [word indistinct] difficult to attempt to clear away these interpretations which have stood for over half a century. This is all the more the case at the present juncture of our reforming our economic structure. Hence, we venture to present our humble and shallow views in the following.

I

At present, the prevalent saying is: "Economic accounting constitutes an economic topic confined only to the arena of socialism; it is an inevitable product of the system of the public ownership of the means of production." A viewpoint of this kind is untenable. As everybody knows, Lenin's thinking on economic accounting was the reverse outcome of "wartime communism" and of the many "defeats and errors." The principal error in theoretical guidance in "wartime communism" was the anxiety to refute the existence of commodity and currency and to replace commodity economy with product economy. The advocacy and implementation of the economic accounting system was the affirmation in theory and practice of the commodity economy and currency exchange.

Marx conceived socialism and communism as evolving from the base of a capitalist society that was devoid of petty rural economy. In his book "Critique of the Gotha Program," he upheld that in a society under the system of the public

ownership of the means of production, commodity and currency were nonexistent. Lenin, in his book, "The State and Revolution," which he wrote before the October Revolution, likewise held that following the seizure of political power by the proletariat, commodity and currency should be immediately eliminated. But Lenin overlooked the objective reality of the Soviet Union being a backward capitalist country with petty agricultural economy occupying a supreme position. Following the victory of the October Revolution, he organized economic life fully in accordance with Marx' concept of the principles of socialism. Before the commencement of armed intervention by foreign powers, Lenin raised the suggestion of the nationalization of all means of production and circulation channels, use of product distribution to replace commodity circulation, enforcement of a voluntary or noncompensatory labor system, the banding together of all residents into producer and consumer communes, materialization of all economic relations and, by means of government statutes, mandatory implementation of "communist production and distribution." Following nationalization in December 1917 of all the banking institutions in the Soviet Union, in April 1918 foreign trade was nationalized, and in June 1918, industry was nationalized. Following this, purchase and sale of commodities was forbidden, market economy was suppressed, surplus grain was taken over by force, industrial products were monopolized, and an attempt was made to transform the whole country into a society that was devoid of commodity and exchange. The outbreak of war speeded up the execution of these extreme measures. Although "wartime communism" played an important role in the triumphant conclusion of the war, yet it also brought about extremely bad consequences. As summed up by Lenin, the national economy was in great confusion, people's life met with great difficulties, industry came to a standstill, agriculture reaped a poor harvest, and famine and plague were rampant. "In comparison with any of the defeats inflicted on us by "Gaoerchake, Dengnijin, or Piersuciji [7559 1422 1390 0344, 6772 1441 5855 4122; 1422 5685 5412 1015], this setback was much more serious and much more dangerous" (Lenin: "Tasks of the New Economic Policy and the Political Education Bureau," "Collected Works of Lenin," Vol 33, p 44).

Due to the implementation of "wartime communism," and a high degree of centralization of management, the Soviet Union became in effect a big factory, while the factories became separate workshops. The directorate general of management unified under it the management and control of all the supply, production and marketing tasks of the enterprises. Enterprises obtained their materials, funds and products from the above. They attended only to production and were not concerned with the economic results. The state was responsible for all payments and receipts and profits or losses were not the enterprises' concern. The enterprises had no economic power, bore no economic responsibility and had no economic benefits. The ruling power was a ponderous managing structure which was far distant from the production sites. This brought about a serious state of bureaucratism. The results were: low production efficiency, enormous waste and huge losses.

These cruel realities compelled the Soviet Union to abandon "wartime communism," and to admit defeat. Indeed, "if we do not want our brain concealed under the wings, or wilfully ignore defeat, or do not fear to face danger, then we must admit defeat" (Lenin: "7th Party Congress of Moscow Prefecture," "Collected Works of Lenin," Vol 33, p 73). In autumn 1921, Lenin decided to withdraw from the system of "wartime communism" to the era of the new economic policy.

The existence of commodity and currency under socialism was admitted in theory and in real economic life and exchange of commodities was reinstated. The grain tax replaced the system of collection of surplus grain while the economic accounting system took the place of the supply system. The principal objects of the new economic policy were, by means of commodity and currency relations, to develop commerce, to promote the recovery of the socialist economy and production development, and to again replace product economy with commodity economy. After that, the Soviet economy began to step on a normal road of development.

It was after summing up the painful lessons of wartime communism that Lenin advocated the utilization of capitalism to build up socialism and "to pass over to communism through national capitalism" (Lenin: "Fourth Anniversary of October Revolution," "Collected Works of Lenin," Vol 33, p 39). At many meetings, Lenin sounded the call to study and utilize the strength, know-how, experiences and talents of Western capitalism to take part in economic work. On various occasions, Lenin pointed out that economic accounting aimed at making profits and avoiding losses and that economic accounting was a governing business principle. Lenin's economic thought produced under such historical conditions was a kind of management thought in commodity economy. Its central point was how, under the socialist system, to utilize the most developed capitalist operation principles in commodity economy to serve socialist construction. In our opinion, the essence of Lenin's thinking on economic accounting was to actually utilize the operation methods of capitalist commodity economy to manage socialist enterprises. Economic accounting was by no means "solely owned by socialism and the inevitable outcome of the system of public ownership of the means of production."

Following Lenin's death, the controversies on commodity and commodity economy never subsided. In 1926, when Stalin was in charge of the Soviet Union's economic work, he advocated "entry into the second era of the new economic policy." A highly centralized system of product planned economy was again in force and a curb was put on commodity economy. In his book "Economic Problems of Soviet Socialism," which Stalin wrote before his death, he affirmed commodity production on the one hand and, on the other, proclaimed that the means of production "no longer constituted commodities, that they were separate from the sphere of the law of value, and that they were merely the outer shells of commodities" (Stalin: "Economic Problems of Soviet Socialism," "Selections of Stalin's Works," Vol 2, p 613). The economic structure formed under this kind of guiding thought and the economic accounting theory formed along with it could naturally only stress the public ownership system of the means of production and neglect commodity and currency relations. Hence, Lenin's thinking on economic accounting, following Stalin's succession to power, was unable to achieve development from beginning to end, and, in our country, at the initial period of the founding of the PRC," the "economic accounting theory" introduced was precisely the distorted version of that period and was merely a structure of economic calculation methodology of the system of public ownership of the means of production. Subsequently, as a result of the rampant distortion and stripping of the essence of Lenin's economic accounting thought, nobody dared

to say that economic accounting was the product of commodity economy and that the economic accounting system was a system to manage socialist enterprises in accordance with the operation principles of commodity economy.

Historical facts have thus made us understand: Since Lenin's thinking on economic accounting and the economic accounting system formed with it as the basis were closely related to the economic spheres of commodity economy and currency economy, "Free trade," and so on, the economic accounting system was not entirely an exclusive economic field of socialism.

The economic accounting system may be said to be a system for socialist countries to manage their enterprises which nevertheless comprises the rational form of enterprise management of a highly developed capitalist commodity economy. Under the conditions of an economic accounting system, the state controls and manages enterprises by means of economic levers such as taxes, profits, price, financing, credit and loans, interest, fines, awards and so on. On the part of the enterprises, they utilize economic levers such as salaries and wages, bonuses, welfare and so on to encourage their individual employees. The economic accounting system is meant to persuade the enterprises to study in practice ways "to make money, to accumulate money, and to use money."

Speaking of society as a whole, under capitalism production is in a state of anarchy and unplanned. But in each and every one of the "big enterprises," the various levels and units at various levels of its internal structure must be subjected to control under the unified planning of the big enterprises. Between its upper and lower levels, relationships of power, responsibility and profits exist and they also face the problem of the economic responsibility system which must be solved. In effect, they have fixed a "cost center" and a "profit center" and put into force "an economic responsibility system subject to the planned guidance of the big corporations." This is a kind of economic accounting system. Thus, it can be seen that enforcement of the economic accounting system is a demand of the objective laws of large-scale production in the commodity economy.

We do not deny the link between the public ownership system and economic accounting but we believe that the public ownership system is not the inevitable base for the generation of economic accounting; neither do we deny the relationship between the economic accounting system and socialism but we do not subscribe to the view that the economic accounting system belongs exclusively to the socialist economic sphere.

II

At present, as far as the real nature of economic accounting is concerned, a kind of "relations theory" is prevalent. This considers economic accounting as simply embracing the handling of the economic relations between the enterprises and the state, between the enterprises and their counterparts, and between the enterprises and their employees and workers. We believe this is an onesided view. In reality, not only in the enterprises but also in any economic unit, these three economic relations may be found and the relations of material benefits are reflected in terms of commodity and currency. But does this mean that they all have economic accounting? Obviously not.

The contents of Lenin's economic accounting thought are very comprehensive. They can hardly be confined within a simple "relations theory." From the volumes subsequent to Volume 33 of the "Collected Works of Lenin," we can find that Lenin's economic accounting thought embraces at least the following items, namely, the principles governing respectively profits, business or commerce, material benefits, independent operation, currency supervision and economic responsibility.

Lenin pointed out that the aim of the economic responsibility system was to make the enterprises not only avoid losses but also make profits. Thus, to make the enterprises earn profits is the real nature of Lenin's economic accounting thought. Its logic is derived from the fact of socialist enterprises also being commodity producers. All the production and management activities of an enterprise use commodity and currency as their media. The special features of all commodity production are invariably the labor process accompanying and simultaneously progressing with the formation of value and the process of product multiplication. Profit represents the overall value target finally reflected by the production and operation activities. Profitmaking is an important operation target of enterprises playing the role of commodity producers. As Engels pointed out: "Products of labor in excess of the outlay for maintenance of labor and forming surpluses--these surplus formations and their accumulations, both in the past and at present, constitute the foundation for all social, political and mental development" (Engels: "Anti-Duhring," "Selected Works of Marx and Engels," Vol 3, p 232). If the value of the production results of a socialist enterprise cannot compensate the value consumed in the production process, then wealth has not been created but actually wasted and the commodity producer has no ground for continued existence. If in the reproduction process, the capital funds of socialist enterprises have not been increased but decreased, then this would be tantamount to impoverishment and emptying the coffers of socialist economy. Economic accounting demands that the results of the production and operation activities of enterprises not only must suffice to compensate their own material consumption and other forms of consumption but must also obtain profits and make money to provide for accumulations to meet expanded reproduction and other social needs. This precisely reflects the basic special feature of commodity production.

Socialism is built on a planned commodity economy based on the system of public ownership of the means of production. Naturally, it demands that the various enterprises ensure that they make profits themselves and also, taking into consideration the interests of the whole and long-term interests, ensure the profitability of the various departments of the whole national economy. The direction of the enterprises making profits must be correct. The method adopted must be proper. The burdens must not be evaded or transferred. No improper channels or crooked ways must be resorted to. The state plan must not be violated and above all the interests of individual enterprises cannot be contradictory to the interests of the whole country.

As for the methods of distribution of realized profits such as percentage retention, percentage distribution under a contracting system, or remittance in entirety to the state, they do not concern the real nature of economic accounting. The inclusion of the principle of profits in the real nature of

economic accounting is principally for the following reasons: 1) encouraging and promoting expertise in management; and 2) resolutely practicing economy. It is a sort of guiding principle over management. In an enterprise, the leadership must abide by the principle of profitmaking, be adept in doing business, be calculating, and study and know management principles and how to make money. Only in this way can the leadership be acknowledged as having a clear understanding of Lenin's thinking on economic accounting.

As Lenin pointed out, economic accounting is a principle in business. Therefore, commodity exchange should be put in the first place. Since socialist production is socialized big production and is also commodity production, we should resort to certain commodity economy forms of socialized production such as commodity, value and currency in order to speed up the development of socialist economy. It is thus logical why enterprises follow commercial principles in all economic activities. Among the commercial principles which Lenin mentioned, the first one was the principle of exchange at equal value. In the economic relations between enterprises, when they enter into buy and sell relations with each other, they must strictly carry out their agreements, protect their business reputation, and bear the business responsibilities of advantages and disadvantages. In this way, the stranglehold of the supply system will be broken and in its place will be found a lively and vivid flow of commodities.

Commercial principles should further embrace the state's control and guidance of the production and operation activities of the enterprises by means of the fixing of commodity prices. At the same time, the enterprises can make up for any insufficiency in the state's planned guidance by means of a certain extent of regulation by market mechanism.

Commercial principles also envision competition among the enterprises so that by means of competition production technique is upgraded, the level of management work is raised, and economic results are improved. This will teach the leadership of enterprises to learn the knowhow of doing business, become capable "merchants," be cautious and conscientious, rouse itself to make enterprise prosperous, make careful calculations and strict budgeting and generally avoid becoming a "big idiot" in business.

Lenin pointed out: "Preparation for transition to communism.... Does not directly rely on mere zeal or enthusiasm but on warmth generated in the great revolution, on the like of the individual, on individual interests and on economic accounting" (Lenin: "Fourth Anniversary of the October Revolution," "Collected Works of Lenin," Vol 33, p 39). He further pointed out: "We must build all the large departments of the national economy on the concern over the interests of the individual. We must jointly discuss the problem and assign special personage to take charge. Because of our failure to observe this principle we have met with setback at each and every step" (Lenin: "The New Economic Policy and the Tasks of the Political Education Bureau," "Collected Works of Lenin," Vol 33, p 51).

The principle of material benefits has been an important constituent part of Lenin's economic accounting thought. This came precisely as a result of the "setbacks" met with in "wartime communism." However, we cannot interpret material interests as merely "money." Lenin mentioned interest of likes of the individual person, which is also an important question. In fact, in our actual work we have learned the lesson that devices such as "bonus" or "piece rate wage," cannot be a "cure-all." Hence, in carrying out the principle of material interests, we must combine it with political ideological work. In political ideological work we must also study a little science of behavior. This is because mankind's desires are diversified. They do not constitute solely material wants but also include what Lenin mentioned as "likes of the individual."

In economic accounting, the principles of material interests is also reflected in the economic relations between an enterprise and various other parties. This also constitutes a kind of relations of material interests. Taxes and remittance of profits to the state reflect social needs and social demand for material interests. Tax evasion, nonpayment of assessed taxes, default in, or holding back of, profit remittance to the state are in effect violation of the material interests of the state and of society. Retention of a percentage of profits and setting aside of employees' welfare sinking funds by enterprises reflect collective needs and demand of collectives for material interests. Both of them link together interests of the individual with collective interests of the enterprises. Wages, salaries and bonuses all reflect the individual and family needs of the workers and their demand for material benefits. The economic relations between the enterprises also constitute relations of material interests. Hence, punishment and fines of a material nature should be inflicted on those found guilty of such phenomena as violation of economic agreements, supplying commodities of a poor quality, disobeying settlement rules or discipline, arbitrarily raising of commodity prices, and so on. All this is comprehended in the principle governing material interests in Lenin's thinking on economic accounting.

Lenin's interpretation of the "principle of commerce" also includes the thought of the independent operation of enterprises in the capacity of commodity producers. Of course, independence in the economy of state-run enterprises is a kind of independence under the big logical premise of the system of public ownership of the means of production and is therefore of a relative nature. It is a sort of management principle and reflects the special feature of enterprise commodity producers. The state's tasks are to fix the limit and scope of this sort of independence and to give it due recognition through such means as laws, statutes and prescribed systems or procedures. For their part, the enterprises own independent operation funds, can open independent accounts in banks, act as independent legal entities in their relationship with outside economic circles, and so on. All these features reflect in various ways the independent nature of the commodity producers. In the final analysis, they denote that the enterprises possess rather substantial power in various sectors such as personnel, finance, materials, supply, production and marketing.

A socialist state has the duty and responsibility of exercising control over the economy. It must possess a definite degree of power of administrative intervention in the affairs of the enterprises. But, aside from a small minority of backbone enterprises which have a bearing on the lifeline of the national economy and over which the state directly exercises control over by means of mandatory planning, the state's management and control of the enterprises is mainly shown in exercising planned control and carrying out currency supervision through the use of various economic levers and value targets such as capital funds, cost of production and profits. The supervisory structure consists of economic organs such as the higher level economic organs, finance departments, banks and so forth, and does not depend on administrative organs issuing various kinds of administrative directives in various localities.

Finally, we believe that the center of Lenin's thinking on economic accounting lies in the economic responsibility system, and that the economic accounting system may be simply and centrally denoted as the economic responsibility system. Lenin said: "The setting up of the trusts and enterprises on the basis of the economic responsibility system, is precisely for the purpose of making them take up the responsibilities themselves, and to take them up fully, so that our enterprises will not lose money. If they are unable to do this, I believe that they should be tried in court and their entire board of directors should be punished by being deprived of their freedom for a prolonged period (perhaps released on parole after sometime) and by confiscation of their entire properties" (Lenin: "Memorandum to People's Finance Committee," "Collected Works of Lenin," Vol 35, p 549). Thus, it can be seen that the economic accounting system is a rigid and stern form of the economic responsibility system. It is [words indistinct] of government property and is not confined to merely asking the leadership of enterprises not to accept bribes, or steal, or work for selfish ends, or make illicit contacts, or "enter by the backdoor." It definitely means that the state has given you a sum of money to run the enterprise, that you must make money, but that if you suffer losses, then, economically, you will be punished by the confiscation of your entire property while, legally, you will be found guilty, will be "deprived of your liberty for a prolonged period," and will be put in jail. These stern demands of Lenin's were reasonable ones. In reality, the production of each and every commodity carries with it a serious economic responsibility. In a capitalist society, the consequences of a capitalist's suffering losses in business are bankruptcy, jumping to death from a tall building, or committing suicide. Then, if in socialist commodity production, the leadership of enterprises bear no responsibility at all, or nobody cares to investigate, or the matter is allowed to drop following the issuance of a letter of censure by the upper levels, would this work? Even though socialism is a goldmine or a silvermine, it can hardly stand the strain of recklessly throwing property worth hundreds of million yuan into the open sea. Bearing the economic responsibility is an objective demand which the commodity economic law inevitably generates.

Therefore, in carrying out economic accounting, everybody, from the plant's director to each and every worker, must bear the economic responsibility. Not to do so, means the economic accounting system is just empty talk and will

become merely a form. But to do so will greatly help us in overcoming such phenomena as doing business through "worker bureaucrats" and "merchant bureaucrats." It is also an effective measure to curb such workstyles as an individual enterprise leadership not relying on production and management but depending on currying favor with people in authority. Naturally, it is vastly superior to the practices of holding on to an "iron rice bowl" or "everybody eating from the same big pot." Furthermore, it greatly increases pressure from the outside on the leadership of enterprises.

At present, we must make reorganization of the enterprises proceed in step with the promotion of the responsibility system and must seek a breakthrough for enterprise reorganization from building up the economic responsibility system. All this is in conformity with Lenin's thinking on economic accounting. Concerning the economic results of enterprises, the adoption of the principle of the economic responsibility system precisely grasps the vital point of the economic accounting system. Only in effecting a liaison with the economic interests of the individual can the economic accounting system be really established.

The economic responsibility system further includes the requirement that the enterprises must bear the responsibility for the use of the fixed capital funds and circulating funds and should pay a fee for using them. It stipulates that the use of the capital construction investments for expanded reproduction must not be non-compensatory. Rather, bank loans should be used instead. The enterprises must repay the capital and pay interest on time and bear the responsibility for the investment results. Furthermore, between the enterprises, their contracts, agreements, and business transactions involving the inward or outward flow of funds must be guaranteed by an economic responsibility system which carries such forms as fines and indemnity payments. Economic transactions inside or outside an enterprise must carry an economic responsibility system detailing wards or fines.

In reality, both the enterprise and the individual worker or employee make up a part of the economic responsibility system. We should link together the extent of the good or bad effect, caused by the quality and quantity of the labor input of the employees and workers, or the operation results of the enterprise and the individual earnings of the staff. This provides the key to implementing economic accounting inside an individual enterprise.

III

If we work according to Lenin's economic accounting thought, our enterprises will be able to reach the stage of possessing internal motive power, being urged on by pressure from the outside, and deriving therefrom an immensely powerful vitality. Unfortunately, we must admit that over the past 30 years we have never truly carried out economic accounting as advocated by Lenin. In planning we resorted to all inclusiveness and generalities; in circulation, we carried out unified purchases and unified marketing; in labor we followed the principle

of unified contracting and unified distribution; and in finance, we practiced unified receipts and expenditures. As a result, there is no way of fundamentally setting up a true and complete system of economic accounting.

For a prolonged period of time, many books and magazine articles, including publications on accounting, economics, business management, political economy and so forth have taken economic accounting to be the same as economic calculation. Books and magazine articles may bear the caption "socialist economic accounting system," or "economic accounting system in industrial enterprises" but their contents generally touch on accounting, statistics or business calculation. Economic accounting is taken to be the combined product of accounting, statistics and business calculation and may even be simplified to being just bookkeeping and balancing the books. In this way, the principle contents of Lenin's economic accounting thought is not reflected and an independent "theoretical structure" can hardly be formed on it.

In the 1950's, a theoretical structure comprising the formula: "Accounting plus statistics plus business calculation equals economic accounting" was introduced from the Soviet Union. After a lapse of time, this was interpreted as constituting Lenin's economic accounting "theory." As a matter of fact, this was entirely wrong. Lenin never said anything to the effect that adding the three together would constitute economic accounting.

Looking at this theoretical system of "book balancing," what it comprises either in form or content merely concerns accounting, statistics, business calculation, and management and it is not concerned with the economic accounting theory itself. Moreover, the specialized knowledge on accounting, statistics, labor wages and management of materials has already separately developed into an independent branch of learning. Hardly is it possible for anyone of them to replace or contain another.

In talking about economic accounting, Lenin used the Russian term "khozyaistvennyi raschet." It carried a meaning which is opposed to the supply system. Its English translation in the United States was "economic accountability" (economic responsibility system). In the Soviet Union, the English translation was "self-supporting" (assuming sole responsibility for own profit or loss) or "business principle (principle in commerce). None of the translations implies that it involves only simple calculation. Marx, in his book "Das Kapital," referred on many occasions to "book keeping, while half a century later Lenin, when expostulating his economic accounting thought, used for the first time the Russian term "raschet" but he did not use the term "bookkeeping" which Marx used. As far as we know, in Marx' writings, the term "economic accounting" cannot be found whereas in Lenin's writings, in no place can we find the mixing together, or confused usage, of the terms "bookkeeping" and "economic accounting." In other words, "calculation" and "economic accounting" represent two entirely different concepts.

The Russian term "narodnokhozyaistvenni uchet" was not first used by Lenin himself; nor did it represent Lenin's economic accounting thought. It is erroneous to translate this term into "economic accounting." For decades the Soviet Union itself has translated the Russian term "uchet" as the English term "calculation," or "accounting," or "stocktaking." In his writings, Lenin used on many occasions the term "uchet" to refer merely to "calculation."

Translating the Russ. in term "uchet" as "economic accounting" is one of the causes of its confusion with the "economic accounting system." Seen from the actual Chinese wording, "economic accounting" and "economic accounting system" carry a more or less identical meaning and people may have reason to suppose their similarity. But they may be surprised to know that in the Russian language, these two terms carry an entirely different meaning. As a result, at present many articles have been written to clarify the fact that they represent two different matters. This being the case, who do we not rectify the translations?

In the Chinese language, the term "hesuan" (accounting) was first used in economic work after the founding of the PRC. The character "he" (check or examine) itself carries the meaning of "careful checking" or "verifying the correctness." When combined with the other character "suan" (calculation), the term "hesuan" carries the meaning of "verifying the correctness and calculation." But in reality economic figures denote objective things and using the word "calculation" carries the meaning of the reflection of realities. We feel that if the specialized need of "careful checking" must be stressed, then the Chinese characters "heshi" (checking and verifying) or the characters "heshi jisuan" (checking, verifying and calculation) may express the meaning more clearly. Talking about "hesuan" in a blanket manner may not be sufficient.

Naturally, we do not mean that from now on the term "hesuan" should no longer be used. Rather, this term has a special usage if it is meant to imply both "checking and calculation." For example, if we check and calculate the cost of production of a grade of workshops, or if we check or calculate the profits of a grade of branch factories, we can separately term our work as "production cost 'hesuan,' (accounting)" and "profits 'hesuan' (accounting)." This is comparatively more inclusive. Similarly, in the case of an independent unit, of on the economic side we carry out all-round checking and calculation, then using the term "independent 'hesuan' (accounting)" is appropriate. However, when we talk about "calculation," or "bookkeeping," or "balancing the books," it is best that we use respectively the terms "calculation," "bookkeeping," or "balancing the books" themselves and avoid the use in blanket form of the term "hesuan" (accounting), otherwise when we use the term "hesuan" (accounting) to denote "checking and calculation," the reader may not understand what specifically it refers to.

When probing into Lenin's economic accounting thought, if the idea of "hesuan" (accounting) is implied, then it has reference only to certain principles of checking and verifying the economic results of the enterprises and does not include the concrete calculation methods in accounting, statistics and business operations.

Economic calculation is not economic accounting. The theoretical structure of economic calculation cannot replace Lenin's economic accounting thought. Since there is confusion in concept between the terms "jisuan" (calculation) and "hesuan" (verifying and calculation; accounting), we should first of all rectify the translation terms. In our opinion, the Russian term "narodnokhozyaistvennyi vchet" should be translated as "economic calculation."

The theory embracing the set of calculation rules should be renamed "economic calculation rules or methods"; it should no longer be considered Lenin's economic accounting thought. The Russian term "khozyaistvennyi raschet" should be translated as "assuming full responsibility for own profit or loss" or the "economic responsibility system." In order to more directly express Lenin's economic accounting thought, adoption of this method of free translation seems justified. Besides, we can evade confusion between these two terms.

Lenin's economic accounting thought is not only an important constituent part of Leninism but also a summing up of the pros and cons of the experiences in economic construction following the seizure of political power by the proletariat. It is extremely rich in content. To probe it with a scientific attitude will undoubtedly have an important guidance significance in our reform of the economic structure, in formulation of various economic policies and in performing well the management of the socialist enterprises and speeding up the progress of the four modernizations.

CSO: 4006/191

ECONOMIC PLANNING

TIANJIN TO USE MORE FOREIGN FUNDS IN INDUSTRY

OW111202 Beijing XINHUA in English 1115 GMT 11 Jan 83

[Text] Tianjin, 11 Jan (XINHUA)--Tianjin plans to use more foreign funds for technical transformation of more than 1,000 export producers in the next few years, Vice-Mayor Li Zhongyuan has told this city's foreign economic and trade work conference.

A leading group has been established to oversee the work, he said.

The vice-mayor, who also serves as a leader of the group in charge of utilizing foreign funds, told conference delegates that the city has since 1979 used 270 million U.S. dollars in foreign funds and hard currencies, and retooled the woolen and cotton textile, printing and dyeing, knitwear, garment and carpet industries and part of the electronic elements, basic machine parts and packaging industries.

Larger strides will be made in this respect, the vice-mayor predicted. In 1983, the city expects to carry out technical transformation of 200 large export producers by importing technology and key equipment. Systematic reforms of other 800 enterprises should be completed in the next three or four years. At the same time, foreign funds will be used to build a number of new, large key projects.

The import of foreign funds and technology will be carried out mainly through joint ventures or co-productions, with emphasis on software, technical transfer and necessary key equipment.

The vice-mayor disclosed that the city will invite foreign firms and bankers to a concrete discussion at some future time on specific import items and the amount of foreign funds to be used.

CSO: 4020/38

AGGREGATE ECONOMIC DATA

BEIJING INDUSTRIAL OUTPUT INCREASES

OW101920 Beijing XINHUA in English 1116 GMT 10 Jan 83

[Text] Beijing, 10 Jan (XINHUA)--Total industrial output value of the Beijing Municipality registered a 5.5 percent increase in 1982 over the previous year, according to figures provided by municipal authorities. This tops the goal targeted for last year.

Total output value of light industry last year increased by 3 percent following the 15.6 percent average annual increase in the previous three consecutive years, and that of heavy industry grew by 7.7 percent.

Total industrial output value of the capital in 1982 was over 25 billion yuan, compared to 23.82 billion yuan in 1981. Of this the output value of light industry in 1982 was 10.8 billion yuan, up from 10.5 billion yuan in 1981 and that of heavy industry 14.3 billion yuan, up from 13.32 billion yuan in 1981.

More and more enterprises have raised their ability to meet market demand, the authorities said. The output of sewing machines, recording machines, washing machines, coarse woolen fabrics, matches, beer and many other consumer goods had increased by large margins. Output of fuel oil, polypropylene, silicon, steel plates, strip steel and welding pipes had surpassed the plan, and the output of fork lifts and hand tractors had doubled. Production cost of 15 industrial bureaus of the city was lowered by 1.3 percent during the January-November period last year and the consumption of main raw materials, fuels and power remained stable.

The production growth was also due to the technical progress, the authorities said. According to figures provided by the 15 industrial bureaus, one-fifth of the increased value last year was achieved through technical transformation and the use of new techniques. The Yanshan General Petrochemical Corporation, for instance, for the first time exceeded its designed annual capacity of 80,000 tons in the production of polypropylene after the equipment was renovated.

As required by the instructions of the Secretariat of the Central Committee of the Chinese Communist Party, Beijing should be the nation's political center and the cleanest, tidiest and most beautiful city in China, with a well-developed culture, science, technology and economy. Economically, Beijing should focus on the development of consumer industries, like textiles, electronics, instruments and meters, household electric appliances, food, clothing, printing, arts and crafts.

ASSESSMENT OF EFFECTIVENESS OF COMMERCIAL ENTERPRISES

Beijing SHANGYE KUAIJI [BUSINESS FINANCE] in Chinese No 11, 10 Nov 82 pp 1-4

[Article by E Qiliang [6759 0796 5328] and Ceng Xiongwei [2582 7160 0251]: "Indicators for Assessing Economic Effectiveness of Commercial Enterprises"]

[Text] The question of the economic effectiveness of commercial enterprises is presently a subject of heated debate among the theorists. In this article, we wish to present our views on the subject of assessment standards of economic effectiveness.

(1)

In drawing up indicators for assessing the economic effectiveness of commercial enterprises, it is first necessary to have a clear idea as to what economic effectiveness implies.

The process of reproduction in society is the product of the processes of production and of circulation. The effectiveness of economic activities in society includes not only the economic effectiveness of the process of production, but also that of the process of circulation. Both the economic effectiveness of the commercial departments and that of the productive departments are determined by the ratio between their incomes and expenditures. However, because the two have different roles and functions to perform, they also have their own special features.

The basic function of socialist commercial enterprises is the fulfillment of the dual responsibility of promoting production and rendering service to the people and of accumulating funds for the nation by purchasing commercial commodities in the production areas and selling them in the consumption areas. Because of the special position and functions of commercial enterprises, the problem of assessing their economic effectiveness, complicated and far-ranging as it is, calls for close examination. Commercial enterprises are concerned not only with the problem of their effectiveness as enterprises or departments, but also the problem of short-term and long-term effectiveness as well as that of benefiting themselves as commercial enterprises and offering benefits to society at the same time. The question of economic effectiveness is of an antagonistic as well as a united dialectical character. For example, when a store seeks to increase

its labor effectiveness by cutting down the number of workers, the customers are made to stand in line to await their turn. From the point of view of the store, its effectiveness is increased by reducing its labor cost while selling the same amount of commercial commodities. From the society's point of view, however, the increased labor imposed on those who have to stand in line will in the final analysis prove to be counterproductive in that it will result in a reduction of economic effectiveness in society as a whole. The economic effectiveness of socialist commercial enterprises should be predicated upon the economic effectiveness in society as a whole, and the economic effectiveness of enterprises should be used as a base on which to promote the economic effectiveness of both.

While it is not easy to assess at one and the same time the economic effectiveness of commercial enterprises in society and in themselves, it is not something that cannot be done. The economic effectiveness of commercial enterprises in society is something that is most involved. For example, the commercial departments are called upon to implement the principles and policies of the party, to fulfill the various plans and tasks set by the nation, to abide by the laws and price policies of the nation and to improve the quality of their service. While some of these tasks can be analyzed quantitatively, most of them can only be analyzed qualitatively. Since we can only make an assessment of the economic effectiveness of an enterprise from the quantitative point of view, we can only turn a qualitative analysis of the economic effectiveness of an enterprise into a quantitative analysis of its economic effectiveness when effectiveness is assessed on the basis of the various economic laws adopted by the nation. For example, when a commercial enterprise engages in smuggling, raises prices without authorization, fails to observe the discipline of commodity prices set by the nation and damages the welfare of the consumers in violation of the laws of the nation, the government can, by resorting to such economic measures as exacting a progressive fine and imposing economic sanctions against it, play a role in determining its economic effectiveness from the quantitative point of view and compel it to abide by socialist principles and to correct its methods of operation.

What are the economic benefits that should accrue to the commercial enterprises themselves? To put it another way, what are the benefits to which they are entitled and what are the expenditures for which they are responsible? What follows is a specific analysis of the question.

It is the exclusive responsibility of a commercial enterprise to organize the circulation of commercial commodities. The value of the usage of commercial commodities and the amount of the value (commonly referred to as the amount of sales or operations receipts) are basically a reflection of the extent to which the needs of society are being met. On top of that, some enterprises, in the process of their operations, also generate incomes from subsidiary operations, the surplus of assets and other sources. The total sum of these incomes is known as the gross earnings of an enterprise. At the same time, in the process of organizing the circulation of commercial commodities, a commercial enterprise has to pay for and use a certain amount of labor, funds and materials, and also it has to expend a certain amount of

assets and capital and to pay the cost of making sales, the circulation of merchandise, damage to goods and property losses. There is a direct connection between the use of labor and the cost of labor. With the continuous circulation of commercial commodities, the use of labor will inevitably translate gradually and in part into the cost of labor. For instance, just as the use of fixed assets will gradually translate into the depreciation of assets and the use of commercial commodity funds will translate in part into the depletion and loss of commercial commodities, the use of bank loans by the enterprises will translate into interest which, according to the existing accounting system, is listed as the cost of circulation. That is why the cost of operations, expenses, financial losses and other expenses are listed as the total expenditure of an enterprise.

The net income of a commercial organization accruing from the circulation of commercial commodities is what remains after subtracting the total expenditures from the total income. This net income is also the total sum of the profits of a commercial organization and the amount of taxes on which it has to pay.

In summation, the economic effectiveness of a commercial enterprise may be defined as follows: the effectiveness of a commercial enterprise is measured by the difference between the value of commercial commodities sold, the operational cost and expenditures on the one hand and the cost in terms of labor on the other. That is to say, it is measured by the difference between income and expenditure. Economic effectiveness requires that the commercial enterprises use the least amount of labor and labor costs to realize the highest value and the highest usage value of commercial commodities to meet to the fullest extent the needs of society and to achieve the highest possible profit.

(2)

Opinion differs among the theorists as to what indicators should be used for assessing the economic effectiveness of commercial enterprises. Some theorists are in favor of using the four rates and two amounts as an indicator. Others favor using the amount of profits as an overall indicator. Most comrades, however, prefer to use "the rate of financial profits" as a major indicator for assessing the economic effectiveness of an enterprise.

Those comrades who favor the use of the four rates and two amounts to assess the economic effectiveness of an enterprise generally list as indicators the rate of labor, the rate of expenditures, the rate of the circulation of funds, the rate of profits, the amount of commercial commodities sold and the amount of profits. These indicators, all of which reflect economic effectiveness from a certain angle and point to the comparative merits of a series of indicators, often overemphasize or underemphasize certain other indicators and fail to provide a composite and integrated concept of economic effectiveness. The use of these indicators not only fails to make a comparison between the economic effectiveness of different enterprises, but also to assess the degree of economic effectiveness of the same enterprise in different periods. The problem is the lack of a comprehensive indicator which can be used to assess the economic effectiveness of an enterprise.

Those comrades who favor the use of the amount of profits realized by an enterprise as a comprehensive indicator to assess its economic effectiveness are of the view that the profits of a commercial enterprise represent part of the cash value created for society by productive labor and reflect the standard of its operational management. They are, of course, correct in thinking that so long as commercial enterprises adhere to socialist principles, the more profit they make, the better it is for the development of the national economy. However, from the overall point of view, it is not proper to use the amount of profits as a comprehensive indicator to assess the economic effectiveness of an enterprise because the amount of profits merely reflects the net income of an enterprise and not the contrast between income and expenditures for the assessment of economic effectiveness. For example, although a store employing 100 people with a monthly profit of 50,000 yuan makes 20,000 yuan in profit more than a store employing 50 people and making a monthly profit of 30,000 yuan, the former expends twice as much as the latter in terms of labor cost, which means that the latter is actually more effective economically than the former in terms of income and expenditures.

Some comrades are of the view that it is only by sing cash profits as an indicator that it is possible to assess in a comprehensive manner the end results of various types of economic indicators, since the end results are a major indicator for assessing the economic effectiveness of an enterprise. In our opinion, this point of view has yet to be substantiated.

First, the formula for assessing the rate of profits (considering content) is as follows:

$$\text{Rate of cash profits} = \frac{\text{Total profits}}{\text{average surplus operating + of fixed assets funds}} \times 100\%$$

It may be seen from this formula that the total profits numerator represents the net income of an enterprise, while the denominator represents the entire amount of funds put to use by the enterprise. The product merely reflects the contrast between the effectiveness of labor and the usage of labor. Even if the usage of labor can gradually be translated into the consumption of labor, the product can only reflect the effectiveness of labor in contrast to part of the consumption of labor. Since the formula gives no indication of the total expenditure of an enterprise, it does not give an integrated reflection of its economic effectiveness.

Second, from the point of view of the subordinate relationship between the consumption and usage of labor, to make the rate of cash profits the chief indicator would fail to make a distinction between socialist and capitalist economic effectiveness. "In the process of capitalist production, the economic effectiveness of labor consumption is subordinate to the economic effectiveness of the usage of labor. That is because the pursuit of surplus

value is the only motive force behind capitalist production and the only reason for providing the workers certain amenities of life is the need to squeeze from them the last ounce of surplus value. The only consideration which the capitalists have for labor conservation is to use the least amount of prepaid funds to bring a larger amount of profit...Under socialism, the situation is exactly the opposite in that the economic effectiveness of labor usage is subordinate to the economic effectiveness of labor consumption. In the final analysis, conservation of labor usage is for the purpose of conserving labor consumption so as to better satisfy the needs of the workers..." (See Dictionary of Political and Economic Science" July, 1981, Second Volume, p 143).

Third, in actual practice, there are many flaws in making the rate of cash profits the major indicator for assessing the economic effectiveness of an enterprise.

First, it is difficult to calculate the amount of funds put to use. Under the existing accounting system, only a few figures pertaining to certain time periods are used to arrive at the average amount of the usage of funds for the quarter, the average figure is arrived at by adding to the amount for the first half of the quarter the sum of the surplus for the first and second months plus the amount for the second half of the quarter and by dividing the sum by three. The amount of the funds put to use for the year is also arrived at on the basis of this method of calculation. The circulation of commercial commodities of the commercial enterprises is subject to vast seasonal changes. There is a great deal of fluctuation from month to month, from season to season and from year to year. Accuracy cannot obviously be achieved by using the average amount obtaining in several time periods to represent the amount of circulating funds put to use. Taking bank loans as an example, the United Meat Factory in Changsha arrived at 41.86 million yuan as the average amount of loans for the third quarter of 1981 by using the above method of calculation, whereas the actual average amount of loans came to 51.59 million yuan according to the amount of interest paid, an amount which was 23.24 percent more than the first figure. An entirely different picture is presented in the fourth quarter. Whereas the actual average amount of loans came to 7.14 million yuan, the average amount arrived at by using the stipulated method of calculation was 30.68 percent less than the actual figure. The difference came to 8.76 percent for the entire year. Thus, it can be seen that the use of the rate of cash profits arrived at by using such inaccurate figures as the chief indicator for assessing the economic effectiveness of an enterprise cannot accurately reflect the degree of its effectiveness.

Second, the average original value of fixed assets is also used in calculating the average total amount of funds put to use by an enterprise. As we know, commercial enterprises are different from industrial enterprises. In putting up factories, an industrial enterprise must install factory equipment and subsidiary facilities according to the types of products, the amount of production, the quality of the products, the scope of production and the technical process, whereas the fixed assets of a commercial enterprise are not set according to the scope, the type, the scale and the amount of its

operations. For this reason, even enterprises in the same line of business and of the same type vary greatly in the amount of fixed assets put to use. Some shops have their own business premises and their own dormitories, while others have to rent them from real estate companies. Some wholesale outlets have their own warehouses whereas others have to store their merchandise in rented warehouses. This accounts for the fact that the rate of cash profits is no indication of the degree of economic effectiveness of an enterprise.

Furthermore, as regards products under the planned purchase, contract sale and planned procurement system, although large amounts of commercial products may be held in stock in warehouses, the factories continue to proceed with their production and the substations have to make procurements according to the plan with the result that large amounts of funds are put to use for no legitimate purpose. This is not something which is subject to the wishes of the enterprises. For this reason, the use of the rate of cash profits to assess the economic effectiveness of an enterprise cannot be an accurate gauge of its actual economic effectiveness.

Finally, the financial difficulties resulting from the downward adjustment of certain commodity prices by the government has caused it to adopt the measure of selling and disposing of commercial commodities on the spur of the moment, thus making it impossible for the commercial enterprises to assess the amount of merchandise stockpiled and the amount of funds put to use at any given time. That is why it is not accurate to use the rate of cash profits to assess the economic effectiveness of an enterprise.

(3)

From the analysis presented above, it is clear that it is not possible to reflect fully and accurately the contrast between the efficiency of operations and the consumption of labor by using the four rates and two amounts or the amount of cash profits as an indicator for assessing the economic effectiveness of a commercial enterprise. Is there, then, in the relations of economic activities of commercial enterprises, a more comprehensive indicator that can be used to assess the economic effectiveness of an enterprise more realistically and accurately? The answer is definitely in the affirmative.

On the basis of what the economic effectiveness of a commercial enterprise implies, we suggest using the rate of operation costs and profit plus taxes as a comprehensive indicator of its economic effectiveness. The formula is as follows:

$$\text{Rate of operation} \\ \text{Costs and Profit Plus} \\ \text{Taxes} = \frac{\text{Amount of profit} + \\ \text{Amount of taxes}}{\text{Cost of operations} + \\ \text{expenses} + \text{depreciation of} \\ \text{assets} + \text{other expenditures}} \times 100\%$$

(Wholesale enterprises not having to pay profit taxes, the above formula represents the operation cost-profit ratio.)

From the above formula, it may be seen that the numerator, indicating the profits realized and taxes paid by an enterprise, represents its net income. It is only by strengthening the work of market forecasts, supply commercial commodities in demand in the market, directing its efforts toward promoting the sale of commercial commodities and invigorating business operations that an enterprise can realize a larger amount of profits, pay the government a larger amount of taxes and achieve a larger net income. The denominator in the above formula represents the operational cost, that is, the cost entailed by the operations of an enterprise. The cost of operations and circulating expenses are large items which are capable of tipping the scale in the operational expenses of an enterprise. It is only by reducing the cost, limiting expenses, managing well the stockpiling of goods and minimizing losses as a result of price reductions and depletion that an enterprise can basically reduce operational expenses. The net income of an enterprise is in direct proportion to operations costs, profits plus taxes; that is, the greater the net income derived from business operations costs, the greater is the numerical value of operations costs and profit plus taxes, and the better the economic effectiveness of an enterprise. Operational expenses of a business are in inverse ratio to operation costs and profit plus taxes. In other words, the less the expense incurred in generating the net income, the higher is the rate of operation costs and profit plus taxes and the greater is its economic effectiveness.

From the various factors and their interrelationship in the formula for the rate of operation costs and profit plus taxes, we can see that this formula, incorporating as it does the result of the operations of an enterprise and the consumption and usage of labor, presents a contrast between the income and the expenditure of an enterprise. It is in line with the meaning of economic effectiveness and meets the basic demands of commercial enterprises, namely, the realization of the highest usage value of commercial commodities, meeting the largest possible extent the needs of society and earning the largest amount of profit by consuming the least amount of labor. This is our considered opinion as to what a comprehensive indicator should consist of from the theoretical point of view.

We have had occasion in the past to use this formula to assess the operations of several chain companies in Hunan Province and over 10 enterprises in Changsha. The result has proved that it basically reflects the degree of their economic effectiveness and that this method of assessment has stood up to the test. That is why we believe it is advisable to use the rate of operation cost and profit plus taxes as a comprehensive indicator of the economic effectiveness of enterprises.

While proposing the use of the formula as a comprehensive indicator for assessing the economic effectiveness of an enterprise, we are not denying that the use of other economic indicators would also serve some purposes. Actually, the use of a single comprehensive indicator to assess the overall economic effectiveness of an enterprise cannot but have its limitations. It is also necessary to use other indicators to assess the economic effectiveness of an enterprise from various angles and to locate the strong points, the weak points and the weak links of the comprehensive indicator

so that the enterprises may adopt whatever corrective measures that suggest themselves. That is why we favor using our formula above as a comprehensive indicator as a major indicator for assessing the economic effectiveness of a commercial enterprise and, on the basis of the needs of the various types of enterprises, using other indicators, such as the circulation rate of the entire amount of the working capital, the circulation expense of commercial commodities, labor efficiency, the rate of profit, the volume of sales and the amount of the gross profit as auxiliary indicators of its economic effectiveness and why we favor the establishment of the system of using both a major indicator and auxiliary indicators to assess and evaluate the overall economic effectiveness of commercial enterprises.

9621
CSO: 4006/129

FINANCE AND BANKING

LEADERSHIP VIEWS ON FINANCE, ACCOUNTING WORK EXPANDED

Beijing CAIZHENG [FINANCE] in Chinese No 11, 5 Nov 82 pp 1-2, 5

[Article: "Zhang Jingfu [1728 0513 1133] on Development of Economy and Reorganization of Finance and Accounting Work in Enterprises"]

[Text] Zhang Jingfu, State Councilor and Minister in Charge of State Economic Commission, gave a speech at the end of the national working conference on strengthening the management of finance and accounting and on increasing economic value. The three main topics of his speech were: 1) to develop China, we must develop the economy; 2) to reorganize the enterprises, we must strengthen the management of finance; 3) to achieve a good performance in accounting work, we must improve our investigation.

Discussing the first issue, Comrade Zhang Jingfu stated that we must develop the economy if we want to develop China. The strategic objective put forward by the central authorities is: By the end of this century the people's living standard is to reach a comparatively well-off level. To reach this goal, our economy has to achieve two double increases and the production has to triple. This is possible, but the task is difficult. Therefore the central authorities have put forward two strategic steps. At the first step, in the ten years from 1980 to 1990, we are to lay the foundation, accumulate strength and create the conditions. Then entering the second strategic step, into the 1990's when the speed will be increased, we enter a new era of vigorous economic development. As for the present, the essential thing is the unity of thinking, that is, to handle well the relationship between speed and value, to achieve the unity of value and speed. In the first ten years, as Comrade [Zhao] Ziyang [6392 4793 7122] has pointed out, we must grasp with our two hands. On the one hand, we must concentrate the necessary material and financial resources on priority constructions, mainly weak links, such as energy, transportation, etc. We must make good arrangements for complementary facilities construction projects, increase new capacity. On the other hand, having in mind the situation of the current enterprises, we must restructure, reform and transform them, so that after the reorganization of the present enterprises their face will be greatly or even fundamentally changed. My own experience is that these two 'hands' are related. How great the newly built capacity is or how large the scope is, depends mainly on the change of the situation of the present enterprises. The faster and the better their situation changes, the more accumulation can be used on construction. Otherwise, it would be very difficult to construct more.

He said that the situation of our present enterprises, especially that in industrial and transportation ones, can be described succinctly in four sentences: the foundation is not small; the standard is not high; the results are not good; and the potential is great. The first and the fourth of the four sentences are our advantages, and the second and the third are our weaknesses. However, the two great weaknesses also show our great potential and there are plenty of bright prospects. In order to carry out well the reorganization of the current enterprises, we need to do a lot of solid and painstaking work. We must study two types of measures, including policy and technical measures. It requires hard work and masterly skill with basic work first, then elaborate work. Then we must raise successfully two standards: the standard of technology and the standard of management and administration. We also want to achieve two results: good products and good economic value. Our products should really be suitable for the market needs, cheap, but of good quality, and have competitiveness in international markets. In economic value, not only we need all the good quotas, but also "dried goods." Only the actual increase of state revenue, paid into national treasury, could serve the purpose.

He stated that if we adhere firmly to the two-step and two-hand plan put forward by the central authorities, study seriously the two types of measures in our work, do the two hard jobs, and raise the two standards to achieve two results, it's very hopeful that our strategic objective of two double increases will be achieved. As we currently work on long-term programming, we all discuss the lack of capital, the temporary difficulties. It is, in fact, true, but is only temporary. I think it is important to think it is important to think of solutions in an active way, because the solution is to improve the current enterprises, increase economic value, and provide more capital. This is the real way out for finance, and is also the fundamental one. If the industrial and transportation enterprises could develop good products and good results, difficulty in financial capital can be fundamentally resolved. And with the utilization of foreign capital we can do even more.

Discussing the second issue, Comrade Zhang Jingfu stated that the current reorganization should be constructive, with high standards and strict requirements. It should be a comprehensive reorganization with overall administration. We must carry it on for at least three years, or even longer, in order to reorganize well the current enterprises.

He stated that in the enterprise reorganization we must especially emphasize the issue of finance and accounting work reorganization, which is one of the five components of the entire enterprise reorganization and is an important one. With enterprises turning from productive type to production management type, the position and role of finance and accounting work have become more important. Thus, we must place the reorganization of finance and accounting work in an important position in the entire enterprise reorganization, with the following requirements: 1) the leading group of reorganization in each area and department must have the participation of comrades from finance and accounting branches; 2) the reorganization must contain that of finance and accounting work. We must carry out unified leadership, unified

programming, unified planning, and unified inspection before acceptance.

3) The finance departments of the same levels must assign persons to participate in the reorganization of the first group of priority enterprises;

4) central departments responsible for the work must not only concentrate on the finance reorganization of the enterprises directly under them, but also on that of local enterprises in the same line. 5) We must continue the reorganization where the finance and accounting work has not been well reorganized or has not yet finished the reorganization. With the exception of the first group of 9,000 or so priority enterprises, we should not wait with the entire area reorganization. In the entire area we may mobilize the enterprises to proceed from struggle against waste and criminal activities in economic area, or to establish and strengthen business accounting, and first to conduct a self-reorganization in the finance and accounting work. This way the starting point of the later reorganization of other enterprises will be higher. The finance and accounting reorganization of the non-industrial enterprises, such as commercial, foreign trade, building construction, agricultural and animal husbandry, etc. must also be planned, programmed, resources to be transferred and to be started step by step.

Comrade Zhang Jingfu pointed out that the reorganization of the enterprises' finance and accounting work requires hard work and real skill. We must not put on fancy airs but do the basic work in a down-to-earth manner, such as bookkeeping, accounting, analysis of economic activities, etc. We should start with basic work and then the elaborate ones. With basic and elaborate work well done, a solid foundation can be formed to improve management and administration and increase economic value. The financial departments must consider the reorganization and consolidation of finance and accounting work their central task in the next few years. They must be willing to part with their key members and spend 90 percent of their energy on this task. With the enterprises reorganized the economic value will increase; things will get better and better for the finance workers, thus their initiative will also increase in their work.

Comrade Zhang Jingfu stressed the need to strengthen the building of finance and accounting work force. He said that there are currently, in enterprises alone, more than 2,000,000 finance and accounting employees who are a very significant force on the economic front. The vast finance and accounting workers, in their own positions, are quietly immersing themselves in hard work and willingly bearing the burden of hardship and criticism. They have done a lot of work, achieved great results, made due contribution to the building of socialism. But the present situation of the finance and accounting work force is not yet suited to the needs for building up the 'four modernizations'. First of all, the number of workers is not large enough; secondly, there are many new cadres, and their standard is low. According to statistics on the present finance and accounting employees, only 5 percent are college and professional school graduates, only 14 percent secondary school graduates, and only 30 percent had short-term professional training. About half of the employees have never had any vocational training. This situation is not suited to the needs of building up the four modernizations.

He said that vigorous training of finance and accounting employees should be carried out in two ways: one is the use of various training forms. Colleges should establish more professional training courses in finance and accounting to increase the number of students enrolled. In addition, we must establish some secondary vocational schools. Finance departments, responsible institutions and large and medium size enterprises of all areas should all offer some finance and accounting training courses. The second way is to raise the ideological and vocational level of the present 2 million finance and accounting workers. We must send them to training by stages and in groups and evaluate their performance, to improve their quality. This is the significant and also the most realistic way to strengthen the building of the finance and accounting work force.

He stated that we must care about and support finance and accounting employees. Finance and accounting work is the comprehensive reflection of the enterprises' activities in production and management, touching upon all areas of the enterprises. Without the leadership's attention and support the finance and accounting work can not be properly done. The responsible departments of the enterprises should give support, so should the leaders. Economic commissions of all levels, responsible branches and financial units in the enterprises must consider the finance and accounting work an important measure to improve management and administration and to increase economic value, bringing it into full play. We must have "sensible persons" in the enterprises' leading groups who understand the management and administration of finance and accounting. Leaders of the enterprises must have the knowledge of business accounting and have the ability to read and understand financial and accounting reports and statistical tables. For those who do not understand we must organize training courses so they can master knowledge in their line. We must commend and encourage those finance and accounting workers who, standing fast at their post, make great efforts to broaden sources of income and reduce expenditure and have achieved results. We should back up the finance and accounting workers who adhere to the principle and want to deal sternly with the vindictive retaliations. The Finance Department of Jiangsu Province, recently taking charge of retaliation cases, has taken vigorous measures to deal with a group of vindictive retaliators, and the provincial government has approved and forwarded their reports. This has had great impact on the whole province. If we do not deal sternly with the retaliation problem, do not back up workers who adhere to principles, healthy trends can not prevail and unhealthy trends can not be checked, and the enterprises can not be well run.

Discussing the third issue, Comrade Zhang Jingfu stated that currently our economic situation is improving and will continue to improve. With the development of economy, there will appear some new situations, new problems, as well as new experiences. All the areas, branches and lines, especially those comrades in the forefront and comrades at the basic level, have already summed up some new experience about new situations and new problems. I think we, who are in the finance and accounting business, must take the new situations seriously, study the new problems and sum up new experience. This - which is also our party's fine tradition and style - has been repeatedly emphasized by Comrade [Hu] Yaobang [5170 3613 6721] and the leading comrades of the central authorities. Since the third plenum of the 11th

party central committee, the guiding principles and policies of the central authorities have been proved correct by the practice, and the direction has been proved right. So, comrades in finance and accounting work, must first have a thorough grasp of the spirit of the central authorities, and then put it into effect with efforts, in practice, and continuously sum up new experience. Since the third plenum, the initiative of the vast masses has run unprecedentedly high and through plentiful practice a lot of new creativity has appeared. Therefore, all of us must pay attention to summing up new experience on the economic front, including experience in finance and financial management in enterprises. In short, we must have a thorough grasp of the two ends: the policies from above and the real facts and practice at the lower levels. Only then can we handle better, in the future, new problems occurring in our work, avoid the recurrence of one-sided and subjective mistakes which occurred in the past. For this purpose, we must adopt learning attitude, not only to learn the policies of the central authorities, but also learn from the comrades in the forefront and from practice. To those subordinates who do a good job we should give distinct support. To those whose work is basically good but who have shortcomings, we should affirm the main aspect and help them improve. We must criticize and educate those who erred and help them correct their errors. The enterprise reorganization must combine the consideration of restructuring, reforming and transforming. With the completion of the reorganization we must work on reforming, restructuring and transforming in an even more planned, step-by-step way. I hope we will all make a joint effort to conduct serious, comprehensive and systematic investigation, constantly sum up experience and maintain our advancement.

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CSO: 4006/167

CONSTRUCTION

BRIEFS

BUILDING MATERIALS PRODUCTION QUOTAS--Beijing, 18 Dec (XINHUA)--Total output production goals of 17 major building materials--including cement, plate glass, sanitary ceramics, glazed tiles, asphalt felts and marble--have been reached 1 to 2 months ahead of schedule, according to the building materials bureau under the State Economic Commission. In the first 11 months of this year, the output of cement was 86 million tons, 14 percent more than in the same 1981 period; the output of plate glass reached 32 million cases, an increase of 20 percent; and the output of sanitary ceramics were 3.9 million pieces, up 25 percent. While increasing the output of building materials to meet the need of the country, China's building material industries this year have made strenuous efforts to improve products' quality and reduce costs. As a result, officials said, the total output value of the state-run building material enterprises and factories reached 8,500 million yuan by November 30, 10 percent more than the same period last year, and the profit rose 22 percent to 1,124 million yuan. [Text] [Beijing XINHUA in English 1242 GMT 18 Dec 82 OW]

CSO: 4020/38

TRANSPORTATION

COASTAL ZHEJIANG ACCELERATES HARBOR CONSTRUCTION

OW071412 Beijing XINHUA in English 1159 GMT 7 Jan 83

[Text] Hangzhou, 7 Jan (XINHUA)--Zhejiang Province expects to complete work on 20 new berths for freight and passenger ships by 1985, with a total accommodation capacity of nearly 20,000 tons, according to the provincial transport department.

Construction of ten berths for freight vessels and three for passenger ships is well under way, and construction of the remaining seven berths for freight vessels will begin soon, the department said. Their individual accommodation capacity ranges from 200 tons to 5,000 tons.

Construction of these berths at seaports is part of the province's effort to boost economic development and foreign trade, the department said.

Zhejiang Province--a major industrial and agricultural production center--ranks among the foremost in China in output of jute and silkworm cocoons. Its tea output accounts for about one-fifth of the nation's total.

Over the past four years, the department said, Zhejiang Province has built and expanded 17 berths for freighters, with a combined accommodation capacity of about 15,000 tons, in addition to five berths for passenger ships, with a total accommodation capacity of nearly 4,000 tons.

With 11 new berths, Ningbo Harbor--Zhejiang's largest--handled three million tons of cargo in 1981, 28 percent above 1979. The harbor has ten passenger shipping routes to Shanghai, Hong Kong and other destinations, and ranks among the largest in the country in passenger transport volume.

Beilun Harbor, built by the Ministry of Communications in northern Zhejiang, serves as an ore transshipping port for the Baoshan Iron and Steel Complex, China's largest, now being built near Shanghai.

The mechanized deep-water harbor--designed to handle 20 million tons of ore annually--has one berth for 100,000-ton ships and two berths for 25,000-ton vessels.

Construction of this domestically designed ore harbor began in January, 1979, and was completed in four years.

In addition, the Ministry of Communications plans to build two berths for 10,000-ton bulk carriers this year at Zhenhai harbor, near Beilun. When completed in 1984, the harbor will be able to handle 3.8 million tons of cargo annually, compared with the present 2.7 million tons.

Zhenhai harbor, completed in 1977, now has a coal terminal for 10,000-ton ships and another for 3,000-ton vessels.

CSO: 4020/38

TRANSPORTATION

BRIEFS

RAILWAYS ANNUAL QUOTAS FULFILLMENT--Beijing, 18 Dec(XINHUA)--China's railways today report fulfillment of this year's annual passenger quota 13 days ahead of schedule--transporting 950 million passengers--4 percent above last year's same period, according to the Ministry of Railways. Chinese railways met freight quotas 23 days ahead of schedule, shipping 1,041 million tons cargo, 6 percent above last year's same period, the ministry said. Records have been recorded both in passenger and freight volumes, the ministry said. The ministry expects to turn over to the state a profit of 2,120 million yuan this year, 5 percent over that of last year. According to the ministry, China has shipped 90 million tons of coal from Shanxi Province, the biggest coal producer in the country, 10 percent more than last year's figure. Li Kefei, vice-minister of railways, said at the ministry's planning meeting now in session in Beijing that China has speeded up construction of railways this year. Nearly 3,000 kilometers of new railway lines, 680 kilometers of double-track railway lines and 750 kilometers of electrified railway lines were put into operation between 1979 and 1982. Plants under the ministry have this year turned out 163 diesel locomotives, 35 electric locomotives, 10,500 freight cars and 1,148 passenger coaches. They have also trial produced a number of newly-designed passenger coaches and freight cars. At present, China has a total of 52,400 kilometers of operational line. Chinese railways undertake shipment of up to 70 percent of the country's total freight and over 60 percent of the country's passengers. [Beijing XINHUA in English 0734 GMT 18 Dec 82 OW]

CSO: 4020/38

GENERAL

'BEIJING REVIEW' DESCRIBES TIBET INDUSTRY

HK200706 Beijing BEIJING REVIEW in English No 50, 13 Dec 82 pp 28-29

[Article by "our" correspondent Jing Wei: "Tibet: An Inside View (IV)--Developing Traditional Handicrafts"]

[Excerpts] [Editor's note] This is the fourth instalment of a five-part series on Tibet. The preceding three articles appeared in our issues No 47 through 49. [end of editor's note]

Before its peaceful liberation in 1951, Tibet's only industries were handicrafts. Craftsmen produced the highly prized Tibetan carpets, leather boots, wooden Tibetan cabinets, gold- and silver-embroidered hats, wooden churns and jewelry.

In late July, I visited Gyangze, a town known as the Tibetan carpet-centre with a 600-year history of making Tibetan carpets.

Output Quadrupled

The carpet factory in the northern suburb of Gyangze comprises six new workshops made of brick and tile. Its 310 workers and staff members are Tibetans.

Under state support, the Gyangze carpet factory has quadrupled output in the last nine years. The Ministry of Light Industry certifies Gyangze carpet factory products as top quality carpets.

As I toured the factory accompanied by its 55-year-old director, craftsman Sangmodian, he told me that the factory uses a piecework wage system. "You can't really compare it with the earlier fixed wage system of the co-operative," he said, "but I can say the take-home wages the workers receive now are higher than before."

Workers' Income Raised

In 1981, the workers' average monthly income was 63 yuan compared with 29.5 yuan in 1973. Sangmodian disclosed that, as a skilled worker he used to earn 35 yuan a month. Now a worker with equivalent skills receives 115 yuan. The director gets a fixed salary of 103 yuan a month.

"Life is quite different from before the democratic reform of 1959," said Sangmodian: Then he wove carpets for his lord. His monthly wages equalled 15 kilogrammes of grain and he was given very scanty meals. Now 103 yuan can buy 250 to 300 kilogrammes of grain.

Sangmodian had fled to Xigaze to escape his former lord. There he worked for a big landowner. Not long afterwards, this man told him, "One of my female serfs has run off to Changze. I want to send you there in exchange for her." This might have been only a threat but in those days the exchange of runaway serfs between feudal lords was common in Tibet.

"The democratic reform saved me." [sentence published in boldface] The People's Liberation Army quelled the rebellion staged by some members of the upper social strata in 1959 and democratic reform was instituted in Tibet. The reactionary rule of the three big landowners--the old Tibetan local government, the aristocracy and the monasteries--were removed and he, a runaway serf, was saved.

He returned to Gyangze in 1960 and was given land and a house by the government. By cultivating land and weaving carpets, his family improved its lot gradually. However, in 1966 under the "left" policies of the "Cultural Revolution," the individual production and sale of carpets were labelled "capitalist" and were thus forbidden. Sangmodian began to suffer again.

Becoming factory director. [phrase published in boldface] As Sangmodian became worried about his livelihood, a carpet-making group was set up in the commune. Taking up his old profession, he worked hard. Several times, he was selected as an advanced worker and, as representative from his factory, he took part in the national meeting of advanced handicraft enterprises held in Beijing. He was elected director of the factory this year.

To pass down traditional handicraft skills to the younger generation is a major government policy. Since 1980, the autonomous region government has exempted collectively and individually owned handicraft enterprises from taxes. It has also allocated enterprises from taxes. It has also allocated funds to encourage the development of national minority handicrafts. According to the regional administrative department of handicrafts, the total value of the region's handicraft products has increased by 120 percent since 1979. The shortage of some products desired by China's minority peoples has been relieved to some extent.

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DATE FILMED
Feb 16, 1983